

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Southern Baptist Hospital of Florida, Inc./CON #9482
800 Prudential Drive
Jacksonville, Florida 32207

Authorized Representative: A. Hugh Greene
(904) 202-2000

St. Luke's Hospital Association/CON #9483
4201 Belfort Road
Jacksonville, Florida 32216

Authorized Representative: Robert M. Walters
Administrator
(904) 296-3700

St. Vincent's Medical Center, Inc./CON #9484
P.O. Office Box 2982
Jacksonville, Florida 32202

Authorized Representative: Warren Chandler
Sr. Vice President
(904) 308-4030

Baptist Medical Center of the Beaches, Inc./CON #9485
1350 13th Avenue South
Jacksonville Beach, Florida 32250

Authorized Representative: Joseph M. Mitrick
(904) 247-2900

2. Service District/Subdistrict

District 4/Subdistrict 3 (Duval and St. John's Counties)

B. PUBLIC HEARING

A public hearing was not held or requested. However, letters of support were submitted for each project. Letters in opposition to the projects are also noted.

Southern Baptist Hospital of Florida, Inc. (CON #9482) submitted a total of 88 letters of support, including 26 support letters from physicians in the area, support from Flagler Hospital noting that the project should not have an adverse impact on the Flagler facility, Congressman Ander Crenshaw (U.S. House of Representatives), as well as various other letters of support from area agencies, governmental entities and individuals in the area. All of the support letters contain basically the same information regarding the quality of care provided by Baptist Medical Center and the need to improve accessibility to acute care services in southern Duval County and northern St. Johns County. A letter of opposition to the project was filed by Memorial Hospital Jacksonville essentially stating that the area has adequate access to existing acute care services and that the proposed project will have an adverse impact on existing providers.

St. Luke's Hospital Association (CON #9483): A letter of support but concern was submitted by Community Physicians Group, Inc. signed by nine cardiologists and cardio thoracic surgeons in the community. Although these surgeons support the applicant's decision to open a new facility, objection is made to the applicant's plan to change from an open medical staff to a closed medical staff at the new Mayo Clinic location. These surgeons contend that the proposed project will exclude the interests of the Jacksonville community and restrict the growth of community physician practices. In a another separate letter from this surgical group, further concern is expressed that the new facility will hinder access to services currently provided at St. Luke's due to a reduction in the number of insurance plans being offered at the new location and Mayo Clinic's non participation in the Florida Medicaid program, to which St. Luke's Hospital is currently a participant. It is noted that the applicant's proformas do show expected continued participation in the Medicaid program. A letter of opposition to the project was also submitted by Memorial Hospital Jacksonville, essentially stating that the area has adequate access to existing acute care services and that the proposed project will have an adverse impact on existing providers.

CON Action Numbers: 9482-9485

St. Vincent's Medical Center, Inc. (CON #9484): There were no letters of support submitted for the proposed project. A letter of opposition to the project was submitted by Memorial Hospital Jacksonville, essentially stating that the area has adequate access to existing acute care services and that the proposed project will have an adverse impact on existing providers.

Baptist Medical Center of the Beaches, Inc. (CON #9485) included 18 letters of support with the application, with 14 of the letters from area physicians. These letters basically addressed current capacity constraints at the Baptist Beaches facility and the population growth in the area. The letters of support also included support from the Mayors of Atlantic Beach, City of Jacksonville Beach, and Neptune Beach, as well as support from local businesses and civic leaders. There were no letters of opposition to the project.

C. PROJECT SUMMARY

Southern Baptist Hospital of Florida, Inc. (CON #9482) proposes to establish a new 92-bed satellite acute care hospital via the relocation of 92 beds from Baptist Medical Center Downtown (Baptist Downtown). It is the intent of the applicant to operate the proposed satellite hospital under the existing license which will not change the total licensed bed count since both the downtown facility and the new facility will be located in Subdistrict 4-3. The following table shows the current licensed and CON approved capacity of the applicant facility.

Licensed and CON Approved Bed Complement of Southern Baptist Hospital of Florida, Inc.

Bed Type	Current License	Approved CONs		Approved License
		CON 9235	CON 9471	
Acute Care	455	-8	+38	485
Psychiatric-Adult	63	--	-24	39
Psychiatric-Child/Adoles.	19	--	-8	11
Substance Abuse-Adult	6	--	-6	0
NICU Level II	33	--	--	33
NICU Level III	15	--	--	15
Total License	591	-8	0	583

Source: AHCA/CON bed inventory and CON #9482

The bed inventory location as proposed by the applicant is shown below:

CON Action Numbers: 9482-9485

Proposed Operation of Beds by South Baptist Hospital Foundation (SBHF)

Bed Type	SBHF		Approved License
	BMC Downtown	BMC South	
Acute Care	393	92	485
Psy-Adult	39	--	39
Psy-Child/Adoles.	11	--	11
NICU Level II	33	--	33
NICU Level III	15	--	15
Total License	491	92	583

Source: AHCA/CON bed inventory and CON #9482

The applicant notes that AHCA previously allowed it to temporarily remove 72 acute care beds from Baptist Downtown. The eight beds to be transferred to Baptist Beaches via CON #9235 will be drawn from these inactive beds, reducing the total of inactive beds to 64. These 64 beds will be returned to service with the proposed project along with 28 additional acute care beds. Thus, via the proposed project, the applicant's total licensed bed capacity at both hospitals will remain at 583 beds and acute care capacity will remain at 485 beds.

The proposed site of the satellite hospital is in southeastern Duval County at the intersection of Old St. Augustine Road and I-95, Jacksonville, Florida. The project involves a total projected cost of \$84,442,000 and 232,616 square feet of new construction. Actual construction costs is estimated to be \$44,131,200.

The applicant does not wish to accept any conditions relative to the proposed project. However, the applicant has agreed to delicense 92 beds at Baptist Medical Center should this project be approved and the CON awarded.

St. Luke's Hospital Association (CON #9483) proposes to construct a new replacement facility for St. Luke's Hospital. The hospital will relocate from its current Belfort Road location to the campus of Mayo Clinic Jacksonville, located in the same subdistrict. The project involves the relocation of 214 of the existing 289 beds, along with the relocation of the existing adult cardiac catheterization, adult open heart and all adult transplant programs (bone marrow, liver, kidney, pancreas, heart and lung). The project will result in the development of a replacement hospital on the Mayo Clinic campus focused on tertiary/quaternary care and services, and will serve a regional, national, and international geographic service area.

CON Action Numbers: 9482-9485

The proposed project is being submitted in conjunction with CON proposals filed by St. Vincent's Medical Center, Inc. for a new hospital (CON #9484) and Level II NICU services (CON #9481) to be located in the vacated St. Luke's facility.

Proposed Configuration of Beds at Current Facility and Proposed Facility

St. Luke's Hospital	Current Licensed Beds	Proposed Bed Configuration at Replacement	Beds remaining at current location*
Acute Care Beds	279	214	65
NICU Level II Beds	10	-0-	10

Source: AHCA CON Bed inventory and CON #9483

***These beds will be delicensed by St. Luke's if this project is approved. St. Vincent's, in CON #9484, is proposing to reestablish the acute beds and in CON #9481 is proposing to reestablish the 10-bed Level II NICU.**

The applicant indicates that it does not propose to relocate St. Luke's existing obstetric and Level II NICU services in favor of St. Vincent's providing those services at its proposed new Belfort Road facility (CON #9481 and #9484). In order to implement the hospital relocation project, the existing land, facilities, buildings, and equipment of St. Luke's Hospital will be sold to St. Vincent's Medical Center, Inc., with St. Vincent's proposing to operate an acute care hospital at the current location with 180 licensed beds (CON #9484) including an obstetrical service and 10 Level II NICU beds. With only 214 of the existing 289 licensed beds to be relocated to the Mayo Clinic campus, a condition of the proposed project is that if the proposed project and the companion St. Vincent's projects are approved, 75 beds will be de-licensed from the current St. Luke's bed capacity to be utilized by St. Vincent's in the development of its new facility. Included in the 75 beds to be de-licensed and used by St. Vincent's are 65 acute care beds and 10 Level II NICU beds. As a result of this proposed condition, the CON applications filed by St. Vincent's (CON #'s 9481 and 9484) should be considered linked projects, with the St. Luke's relocation project contingent on the approval of the St. Vincent's projects and the St. Vincent's project contingent on the approval of the proposed St. Luke's relocation project.

The project involves 581,734 gross square feet of renovation and new construction and a total project cost of \$207,000,000. Actual construction cost is expected to approximate \$135,106,667.

St. Vincent's Medical Center, Inc. (CON #9484) proposes to establish a new 170-bed acute care hospital at the facility to be vacated by St. Luke's Hospital. A **partial award request** is also submitted for 135 beds. Another related project (CON #9481) has also been submitted to establish a 10-bed Level II NICU that St. Luke's Hospital Association will delicense assuming all three projects, CON Numbers 9483, 9484 and

CON Action Numbers: 9482-9485

9481, are approved. As previously mentioned, this proposed project is submitted in conjunction with an application to relocate and replace St. Luke's Hospital (CON #9483), and is contingent upon the approval of the St. Luke's replacement project.

St. Vincent's primary request will add 35 acute care beds to the bed inventory in Subdistrict 3, Duval and St. John's Counties through the delicensure of 35 acute care beds at its existing facility in Subdistrict 2, in the Clay/Baker/and part of Duval County planning area. The project also proposes to capture 65 acute care beds to be delicensed by St. Luke's Hospital in its bid for a new hospital on the Mayo Clinic campus, and adds 70 new acute care beds for a total of 170 beds. Therefore, the proposal will add a total of 105 new acute care beds to the service planning area. An alternative **partial award request** would add 70 beds to Subdistrict 3 through the delicensure of 70 beds in Subdistrict 2 and captures the 65 acute care beds to be delicensed by St. Luke's Hospital for a total of 135 beds.

The total cost is projected to be \$155,548,805. of which \$146,148,700 represents the acquisition costs of the land, building and equipment. The remaining costs represent development costs, financing costs and start-up costs. The project cost remains unchanged with regard to the partial award request.

The applicant is requesting that the proposal be conditioned for (1) the location of either the 170 or the 135 (partial request) beds at the facility currently operated by co-batched applicant, St. Luke's Hospital Association (2) 2.2 percent of its patient days allocated for charity care and (3) delicense 35 beds at St. Vincent's Medical Center (primary application) or delicense 70 beds at St. Vincent's Medical Center (partial request). The applicant also notes on Schedule C that it conditions award of the CON upon an effectuation of an enforceable capital expenditure of 10 percent or more within 18 months of the issuance of the three linked CONs (9484/9483/9481). The applicant states that this will allow the CON to remain valid until hospital operations are assumed in CY 2005. The applicant further indicates that, as a condition of award of the CON, it requires a commitment from AHCA that St. Vincent's will be able to secure a license for the new hospital without being required to accomplish code upgrades of the hospital's physical plant as to the life safety, construction code, and all other standards and codes which would be applicable to the establishment and subsequent licensure of a new hospital. It is noted that this will only be possible if continuous licensure is maintained.

CON Action Numbers: 9482-9485

Note: Where appropriate, the impact of the main and partial requests are distinguished, and separate information is provided. When no distinction is made between the two proposals, the information that is provided is relevant and applicable to both.

Baptist Medical Center of the Beaches, Inc. (CON #9485) proposes to add 25 acute care beds at Baptist Medical Center-Beaches. The project will increase the hospital's total bed complement from 90 beds to 115 beds. The current 90 beds include an additional eight beds that were transferred via CON #9235 from Baptist Medical Center Downtown. These beds are currently being implemented, with licensure anticipated later this year.

Licensed and CON Approved Bed Configuration of BMC-Beaches

Bed Type	Current License	Approved Beds CON #9235	Approved License	Additional beds added by project CON #9485	Total beds including all CON approved beds
Acute	82	+8	90	25	115

Source: AHCA CON bed inventory and CON #9485

The hospital was originally opened in 1961, replaced in 1988, leased by Baptist Health in 1990, and purchased by Baptist Health in 1994. It is the only hospital located in the "beaches" communities of Duval and St. Johns Counties, stretching from Mayport in the north to Ponte Vedra Beach in the south. The hospital provides acute care in medical/surgical and obstetrical units. Pediatric care is provided at Wolfson Children's Hospital, also a Baptist Health hospital. The hospital recently expanded the emergency department and outpatient areas, adding 12 emergency treatment rooms in 2001 and is currently renovating an adjacent facility into an outpatient center focusing on imaging/diagnostic services and rehabilitation.

The project entails the construction of a second floor extension of the existing inpatient services building. The estimated cost of the project is \$5,639,650 and involves 17,600 GSF of new construction and 2,000 GSF of renovation for a total of 19,600 GSF and \$3,620,000 in construction costs.

The applicant does not wish to accept any conditions relative to the proposed project.

In summary: A project comparison chart showing the net bed increase in District 4, Subdistrict 3, Duval and St. John's Counties, project costs, and CON conditions proposed by co-batched applicants follows:

CON Action Numbers: 9482-9485

Co-Batched Applicant's Proposed Beds, Costs & Conditions

Applicant	Proposed Beds	D4/S3* Net Bed Increase	Proposed Total Project Costs	Conditions
S. Baptist (9482)	92	0	\$84,442,000	Delicense 92 acute beds
St. Luke's (9483)	214	0	\$207,000,000	Delicense 65 acute & 10 Level II NICU beds in S3 w/contingencies
St. Vincent's (9484)	170	105	\$155,548,805	2.2% charity, delicense 35 beds in S2** & other contingencies
St. Vincent's (9484P)	135	70	\$155,548,805	2.2% charity, delicense 70 beds in S2 & other contingencies
Baptist Beaches (9485)	25	25	\$5,639,650	None Proposed

Source: CON Applications 9482-9485

*S3=AHCA Planning Subdistrict 3 in District 4, Duval and St. John's Counties

**S2= AHCA Planning Subdistrict 2 in District 4, Baker, Clay and Duval Counties

Neither Southern Baptist Hospital of Florida nor St. Luke's Hospital Association is proposing to add beds to the subdistrict, while both the St. Vincent's and Baptist Beaches projects will add beds in the subdistrict if approved.

The only applicant proposing to condition award of the CON upon providing care to the medically indigent is St. Vincent's Medical Center, Inc.

As noted several times above, the St. Luke's and St. Vincent's projects are linked and both applicants have stated that approval of one is contingent upon approval of the other.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes, rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code, and local health plans. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

CON Action Numbers: 9482-9485

Applications are analyzed to identify strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district (subdistrict), applications are comparatively reviewed to determine which applicant(s) best meet the review criteria.

Rule 59C-1.010(2) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, the consultant, M. Riley Gibson, analyzed the application with consultation from the financial analyst, Douglas Pierce, who reviewed the financial data and architect Joel Hill who evaluated the architectural and the schematic drawings.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project with the review criteria and application content requirements found in Sections 408.035, and 408.037; applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code; and Local Health Plans.

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? ss. 59C-1.008(2).

On January 27, 2001, AHCA published a fixed need pool (FNP) in Volume 27, Number 30, Florida Administrative Weekly (F.A.W.) of zero (0) for additional hospital acute care beds in District 4, Subdistrict 3/Duval and St. John's Counties.

District 4, Subdistrict 3 had a total of 1,360 licensed beds that experienced an average occupancy rate of 64.20 percent for the reporting period January 2000 through December 2000. In addition, there are 69 CON approved acute care beds in the subdistrict (CON #9300), representing a 31-bed addition to Flagler Hospital located in St. Augustine and a 38-bed addition at Baptist Medical Center in Jacksonville (CON #9471). There are also two other CON approved projects in the subdistrict that involve a deletion of eight acute care beds

CON Action Numbers: 9482-9485

at Baptist Medical Center/Jacksonville (CON #9325) and the addition of those eight beds at Baptist Medical Center-Beaches (CON #9235). For the most recent reporting period (unpublished) July 2000 through June 2001, preliminary data shows that Subdistrict 3 had a total of 1,360 acute care beds that experienced an average occupancy rate 67.71 percent. The occupancy rates of the applicant acute care hospitals and the Subdistrict 2 and 3 averages are shown on a quarterly and annual basis as follows:

Hospital Subdistrict Utilization Data

Hospital	District 4 Sub-Dist.	Acute Care Beds	July-Sep 2000	Oct-Dec 2000	Jan-March 2001	April-June 2001	12 Month Totals
St. Vincent's Med. Center	Two (Duval)	450	68.35%	72.70%	79.13%	74.89%	73.74%
St. Luke's Hospital	Three (Duval)	272	61.20%	65.79%	73.17%	67.60%	67.60%
Baptist Med. Ctr-Beaches	Three (Duval)	82 (8 approved)	72.84%	74.63%	81.73%	82.81	77.97%
Baptist Medical Ctr	Three (Duval)	455 (30 approved)	56.77%	59.99%	65.50%	58.50%	60.16%
Memorial Hospital Jax	Three (Duval)	343	65.91%	69.58%	73.63%	72.32%	70.34%
Flagler Hospital	Three (Flagler)	208 (31 approved)	64.39%	69.28%	90.65%	80.06%	76.00%
Beds/Occup	Sub-Dist Two	650	61.24%	66.78%	71.61%	67.51%	65.98%
Beds/Occup	Sub-Dist Three	1,360	62.10%	68.37%	73.91%	69.13%	67.71%

Source: Hospital Bed Need Projections-January 2002 (Preliminary)

None of the proposed projects are submitted in response to the fixed need pool, but rather, involve what each of the respective applicants perceive are "not normal" circumstances.

b. Approval Under Special Circumstances; Rule 59C-1.038(5):

Regardless of the subdistrict's average annual occupancy rate, need for additional acute care beds at an existing hospital is demonstrated if the hospital's average occupancy rate based on inpatient utilization of all licensed acute care beds is at or exceeds 80 percent. The determination of the average occupancy rate shall be made based on the average 12 months occupancy rate for the reporting period specified in section (4) above. Proposals for additional beds submitted by facilities qualifying under this subsection shall be reviewed in context with the applicable review criteria in Section 408.035, Florida Statutes.

As noted in the project summary above, only one of the four co-batched applicants with existing beds in the planning area, Baptist Medical

CON Action Numbers: 9482-9485

Center-Beaches, is requesting to add beds to the planning area¹. Based on the average 12-month occupancy rate for the relevant reporting period as acknowledged by rule (January 2000 through December 2000), and the preliminary utilization data for the period July 2000-June 2001, Baptist-Beaches does not meet the 80 percent occupancy threshold for either 12-month reporting period.

**Twelve Month Utilization Data for 1/2000-12/2000
and 7/2000-6/2001 Baptist-Beaches**

Applicant	Jan-Dec. 2000	July 2000-June 2001
Baptist Med Ctr.-Beaches	74.41%	77.97%

Source: Hospital Utilization 7/27/01 and Preliminary Utilization 10/01

Additionally, as indicated above, Baptist Medical Center – Beaches has eight approved, unimplemented, acute care beds.

c. Other Special Circumstances:

Southern Baptist Hospital of Florida, Inc. (CON #9482): The proposed project involves the establishment of a satellite acute care hospital, to be known as Baptist Medical Center South (BMC South), with 92 acute care beds via the relocation of 92 acute care beds from Baptist Medical Center Downtown.

The project is not driven by the fixed need pool but rather involves the transfer of 92 beds from the applicant’s downtown facility to a proposed new location. The applicant states that Baptist currently draws over a quarter of its inpatients from the proposed portion of Subdistrict 3, which is near the Duval/St. Johns County border. However, based on agency generated discharge data by zip code, only 12.89 percent of Baptist total discharges originated from the zip codes that comprise the proposed primary service area for the new satellite hospital. The applicant contends that the project will allow it to have a facility well-positioned and well-prepared to meet expected future health care needs in an area expected to experience significant population growth related to significant developments and planned communities in northern St. Johns County.

The applicant has identified the BMC South primary service area as five zip codes and two "overlay" zip codes. The seven zip codes that comprise the proposed primary service area are as follows:

¹ Although St. Vincent’s is also requesting to add beds, it does not have an existing facility located within Subdistrict 3.

CON Action Numbers: 9482-9485

Proposed Service Area by Zip Code/Community

County	ZIP	Community	Included ZIP
Duval	32223	Mandarin	32241
	32256	Baymeadows	
	32257	Mandarin	
	32258	Mandarin	
St. Johns	32259	Fruit Cove	32260

Source: CON Application, page 21

The applicant addressed current and projected population trends based on Claritas data (August 2001) to show that the area in question is expected to increase from a population of 121,251 in 2001 to 132,889 in 2005, the first expected full year of operation. As expected, the most significant growth is expected among the 55-64 and 65 and over cohorts. Although overall growth rate is expected to be around 2.12 percent per year (6.73 percent for the 55-64, 3.74 percent for the 65-74 and 3.46 percent for the 75 plus cohorts), the applicant contends that the population projections may be understated. This is based on certain growth aspects that are not factored in, including the current growth in northwest St. Johns County attributed to Julington Creek Plantation, a 4,200 acre planned community to be comprised of 6,400 homes as well as other planned communities in the early stages of development in the same vicinity. The applicant also addressed other growth areas, including schools, roads and highways and other developments planned for the area.

The applicant contends that the lack of hospital-based services requires that current residents travel outside the primary service area for both inpatient and emergency services. The applicant calculated driving distance to hospital services for the proposed service area population by zip code and total primary service area. According to this information, area residents currently have to drive at least 8.5 miles to reach a local hospital. It appears that the current St. Luke's facility in Subdistrict 3 is the closest hospital (avg. 8.5 miles) and that Flagler Hospital is the furthest away (avg. 30.7 miles). The proposed primary service area population is on average, approximately 13 miles from BMC Downtown and 19.6 miles from BMC Beaches. The applicant reports the following emergency patients by zip code for FY 2000 (October 1999-September 2000) to show that approximately 10 percent of the Baptist Downtown emergency room department volume is from the proposed service area.

**BMC Downtown Emergency Dept. Visits
From BMC South PSA**

ZIP Code	ED Visits @ BMC Downtown
32257	2,729
32223	1,763
32256	1,625
32259	1,212
32258	884
32241	46
32260	6
BMCS PSA	8,265 (10.2% of Total)
BMCD Total	80,916

Source: CON Application, page 31

The applicant provided historic discharge utilization data (July 1999-June 2000) to indicate that 27 percent of the residents (2,138) of the proposed seven zip code primary service area utilize Baptist-Downtown. Another 27 percent accessed St. Luke's Hospital (2,158) and 23 percent were at Memorial Hospital (1,861). However, agency generated discharge data by zip code that shows that Memorial actually had 2,122 discharges from the primary service area zip codes, thus approaching the 27 percent capture rate and that Baptist had 12.89 percent of its total discharge originate from the proposed PSA. No other hospital, located within the subdistrict or otherwise, appears to have a significant share of the market. Memorial Hospital Jacksonville is opposing the proposed project and contends that adequate access exists, adequate bed capacity exists, and the project will result in a substantial adverse impact on other providers, including Memorial. Based on the discharge utilization data provided by the applicant, Memorial's opposition to the project appears to have some merit in view of its large market share that could be adversely impacted by the proposed hospital. However, it should be noted that the proposed hospital will not initially treat all acute care patients because of its size, scope of services and relationship to the existing BMC-Downtown. These services include certain tertiary level services and specialty mix services. In view of this, the actual impact on the market shares of other hospitals, including Memorial, may not be significant. In addition, the applicant contends that the hospital's first year total of PSA patient days (10,796) will be offset by anticipated growth in patient days due to population growth within the area. The applicant is projecting a 25 percent market share in the PSA in FY 2005, increasing to 35 percent by FY 2010, the majority of which is expected as a result of the shifting of Baptist Downtown patient days through the year 2010. The proposed hospital holds a number of similarities with Baptist-Beaches, with a similar number of beds. The Beaches facility currently holds a 44 percent share of adult patient days among residents of its PSA.

CON Action Numbers: 9482-9485

The applicant developed age specific patient day use rates to forecast annual patient days for PSA residents through the year 2010. These projections indicate that adult inpatient days among PSA residents will increase from 41,698 in 2004 to 50,603 in 2010.

The applicant reasonably demonstrated that the Baptist project will experience steady increases in utilization, primarily through a shift in patient volume from Baptist-Downtown as well as existing adult inpatient volumes originating from its proposed primary service area. Although, the applicant did not demonstrate that area residents are currently experiencing problems in accessing acute care services in other Duval County hospitals or related admission delays, the project should result in a more efficient delivery of patient services in the subdistrict.

Additionally, the project is expected to have a positive impact on competition, to promote quality assurance and cost-effectiveness that is not expected to negatively impact an existing Medicaid disproportionate share provider. The applicant is a Medicaid disproportionate share provider and this project is expected to have a positive impact on the hospital.

St. Luke's Hospital Association (CON #9483) proposes the construction of a 214-bed acute care replacement hospital in Jacksonville, Duval County to be located on the campus of Mayo Clinic Jacksonville. The project includes no increase in St. Luke's licensed bed capacity and will actually reduce the applicant's number of licensed beds by 75. However, these 75 beds are a crucial part of the linked project submitted by St. Vincent's (CON #9484) to assume St. Luke's vacated facility on Belfort Road. The proposed project is not driven by a fixed need pool.

According to the applicant, this replacement hospital with a reduced number of acute care beds and the deactivation of the hospital's obstetric program is proposed because the existing facility is not adequate to meet the demands and needs of both the Mayo Clinic and the local community St. Luke's hospital currently serves. The applicant discusses the recent intensification of services offered at the hospital in conjunction with the Mayo Clinic and the number and severity of patients treated by the hospital. Specific examples include the addition of adult bone marrow transplant program and liver, kidney, pancreas, and heart and lung transplant services, all initiated within the past few years. The applicant translates this service intensification into a numerical assessment resulting in one of the highest case mix indices observed in the state. In view of these programs, hospital volume is expected to continue to

CON Action Numbers: 9482-9485

expand into the future. The new facility will have a closed medical faculty and focus more on the specialized services to be provided. Although the current facility can accommodate these specialized services, the applicant contends that the recent CON approved heart, lung, kidney and pancreas programs will push St. Luke's Hospital to its full acute care capacity. The relationship between St. Luke's and Mayo Clinic has also resulted in a change in the geographic service area. Prior to the hospital's relationship with one another, St. Luke's was basically a local community provider with approximately two thirds of its patients originating from Jacksonville and Duval County. Since the linkage, the hospital's service area has grown to where only 40 percent of its current patients originate from the local area. The following table provided by the applicant, presents the hospital's current patient origin for Mayo Clinic physicians only.

**St. Luke's Hospital Patient Origin
Mayo Clinic Physicians Only
01/01/01 - 08/31/01**

Geographic Area	Percent of Total Patients
Duval County	40.2%
Other District 4 Counties	24.5%
Other Florida	18.6%
Other Areas	16.7%

Source: Internal St. Luke's Hospital Records/CON Application, page 23

The applicant expects this trend of serving a larger portion of patients from outside the local area to continue, with more than two thirds of Mayo's physician patients anticipated to originate from outside Duval County by the time the new replacement facility is opened. In light of reasonably strong utilization and growth of the hospital², the applicant states that it is faced with the decision of how best to manage future growth at the hospital, balancing the desire to ensure reasonable access with the reality that unlimited utilization of Mayo's resources could adversely impact operational effectiveness and quality of care. One factor effecting the applicant's ability to utilize resources at its existing facility involves Jacksonville planning/zoning concurrency constraint that limits the hospital's ability to add any significant level of new facilities or capacity to its current buildings on the current site. The applicant states that the St. Luke's facility is significantly undersized on a square footage basis to support the tri-part mission of the Mayo Clinic. These are patient care, medical research and medical education. The applicant states that as a result of the specialized programs offered in combination

² Agency records indicate that acute utilization has steadily increased at St. Luke's for the past few years. In calendar year (CY) 1998 average occupancy in 272 acute beds was 46.73%, CY 1999 average occupancy was 51.77% and CY 2000 average occupancy was 62.01%. The applicant projects occupancy to reach over 80% by 2004.

CON Action Numbers: 9482-9485

with community-based services, the outpatient census, as well as the inpatient census has increased. In conjunction with other inherent variations (seasonal change, daily variation, etc.), this has apparently placed strains on the physical plant resources available at St. Luke's. Capacity constraints limit the applicant's ability to add outpatient or observation beds. The applicant states that observation patients counted for over 4,900 days of care during CY 1999, 5,100 days of care during CY 2000 and 5,900 observation days are expected during CY 2001.

The applicant further states that it has initiated several operational modifications to enhance facility and service utilization, including the conversion of skilled nursing beds to acute care beds and the recent closure of the medical staff to new incremental physician capacity. Although the applicant is proposing to delicense 65 of its acute care beds, thereby proposing to transfer only 214 of its 279 licensed acute care beds to the new location, the applicant will not be transferring its 10 Level II NICU beds and is proposing to deactivate its obstetric program. Additionally, it is anticipated that at least some portion of the adult diagnostic cardiac catheterization volume³ experienced by St. Luke's will be picked up by the hospital proposed to be established by St. Vincent's under CON #9484 and linked to this proposal, assuming St. Vincent's applies to establish an adult diagnostic cardiac catheterization program at its new hospital through the CON exemption process.

St. Luke's current medical staff consists of a mix of physicians who are based at and employed by Mayo Clinic, and non-Mayo, community based physicians. Following the relocation of St. Luke's Hospital and St. Vincent's assuming the vacated hospital, physician practice patterns are expected to shift such that virtually all of the Mayo physician practices (excluding OB/NICU) will shift to the replacement hospital, while community-based physician practices and the OB/NICU practices will remain at the older existing hospital. According to the applicant, the ultimate outcome of both the St. Luke's relocation and the St. Vincent's project is the establishment of a tertiary/quaternary-focused hospital on the Mayo Clinic campus and either a 180 bed or 145 bed (including NICU beds) community focused facility located at the vacated St. Luke's campus. The applicant states that even without the proposed project, the hospital will have to close the medical staff to meet the growing demands of the Mayo organization. This move would eliminate community based physician access to the facility. The applicant contends that the proposed project will allow it to resolve its own problems while ensuring that community access is maintained in St.

³ For the period April 2000 through March 2001, St. Luke's performed 2,039 adult cardiac catheterizations. Some of these were presumably therapeutic and cannot be performed at a facility that does not also have an open-heart surgery program.

CON Action Numbers: 9482-9485

Luke's current local service area. Although the applicant alludes to a cooperative arrangement between both Mayo and St. Vincent's, there is no discussion regarding the continued provision of care for cardiac patients either by St. Vincent's upon assuming operation of the facility or through a joint arrangement between Mayo and St. Vincent's.

It is noted again that in order for the St. Luke's replacement project or the two St. Vincent's projects (CON #'s 9484 and 9481) to move forward, all three linked CON projects need to be approved and implemented. St. Vincent's proposed projects address inpatient capacity constraints discussed by the applicant (refer to discussion in CON #9484 below and discussion in CON \$9481, also being reviewed in this batching cycle).

It is the intent of the applicant to construct a state of the art teaching facility, fully integrated into the existing outpatient clinic practice. The key targeted improvements of the project include the following:

- Improved patient convenience in having all clinical functions at one site versus having to drive 20-30 minutes between locations to access care.
- Increased physician ability to interact with hospitalized patients.
- Enhanced timeliness of providing inpatient consultations and specialist evaluation of hospitalized patients.
- Improved facilities for patient care including enhanced patient room size, facility configuration and operating room capabilities.
- Expanded facilities in support of physician education activities including teaching/classroom space and adequate sleeping quarters and the ability to consolidate Clinic and Hospital educational functions.
- Improved facilities in support of clinical research activities including support spaces for clinical research coordinator and data analysis functions.
- Enhanced research interaction whereby the consolidation of all clinical, educational and research activities at one site will provide enhanced opportunity for clinicians to interact with and provide support for the organization's basic scientists.
- Increased physician productivity associated with the elimination of daily commutes between the Clinic and Belfort Road sites, and,

CON Action Numbers: 9482-9485

- Increased administrative efficiencies associated with the reduction of currently required site-specific administrative infrastructure duplication. One indicator of the expected economy of scale benefits anticipated is the reduction in administration FTE's resulting from the consolidation. As shown in Schedule 6, the proposed replacement hospital is expected to have 127.9 fewer administrative full time equivalents (FTEs) than the existing hospital, resulting in over an \$8 million reduction in administrative, non-direct care staff costs. The reduction can be attributed to both a reduction in volume anticipated for the replacement hospital versus the current operations and the hospital's ability to eliminate duplicative administrative support functions that are now required to operate two distinct campus operations.

Since the proposed project involves only existing licensed beds and services, and since it will be used for the treatment of Mayo Clinic's existing and forecast patient base, the applicant contends that the project should have minimal, if any, impact on existing providers of acute care services. Further, in view of tertiary/quaternary service focus, the geographic area from which Mayo Clinic patients will be drawn and the mix of patients is expected to be significantly different than that observed in a traditional community hospital.

The applicant reasonably demonstrated that the current St. Luke's facilities are not adequate to meet the demands and needs of the Mayo Clinic as well as community needs. However, the applicant does contend that the St. Luke's facilities and support services are able to support a smaller volume base than forecast for the combined Mayo/community operations. With the exception of the availability of a full continuum of cardiac services at the existing location, the linking of both the St. Luke's relocation and development of a new St. Vincent's satellite facility should ensure continued and enhanced access to community based acute care, obstetric and neonatal intensive care services at the current site while allowing Mayo to consolidate its inpatient and outpatient facilities at one site versus having services separated by a 20-30 minute drive. As such, this project and linking projects proposed by St. Vincent's, with the exception of concerns expressed about the provision of cardiac services, represent an improvement in the efficient delivery of health care services in the subdistrict.

CON Action Numbers: 9482-9485

St. Vincent's Medical Center, Inc. (CON #9484) is seeking approval to occupy the physical plant at Belfort Road, currently the location of St. Luke's Hospital. As previously described, the main application is for 170 acute care beds, and the alternative partial award request is for 135 beds. In the main application, the hospital will be composed of 70 new acute care beds and 65 acute care beds to be delicensed from St. Luke's proposed replacement facility. In the partial award request, the 135 beds are composed of the 65 acute care beds delicensed from St. Luke's Hospital and 70 new acute care beds. As noted earlier, the applicant will delicense beds at St. Vincent's Medical Center in another subdistrict if either project is approved. The applicant is requesting additional beds outside of the fixed need pool.

Three projects are related and contingent on each other in this batching cycle. St. Vincent's Medical Center, Inc. submits two applications, CON #9484 to create a new health care facility (containing both a main and partial request) and its related project, CON #9481 to establish a 10-bed NICU Level II program at the new hospital. In the third project, CON #9483, St. Luke's Hospital Association seeks a 214-bed replacement of the present hospital located on Belfort Road, which is the existing St. Luke's Hospital. The existing hospital will move to the Mayo Clinic's site on San Pablo Road. The existing St. Luke's Hospital has a total of 289 beds, of which 279 are acute care beds and 10 are neonatal intensive care Level II (NICU Level II) beds. The replacement hospital at San Pablo Road will have 214 acute care beds; hence, St. Luke's Hospital Association proposes to delicense 65 acute care beds and the 10 NICU Level II beds.

The result of the downsizing and replacing of the existing St. Luke's Hospital will leave the property, plant and equipment at Belfort Road, which will function as a Class I general hospital until initial licensure of the replacement hospital if its project is approved. St. Vincent's Medical Center has an opportunity to take immediate possession of the property, plant, and equipment that exists at Belfort Road, and maintain almost continuous hospital operations once the replacement hospital is licensed.

The applicant states that six key factors impact St. Vincent's Medical Center's two projects to replace the existing St. Luke's Hospital. These factors are as follows:

CON Action Numbers: 9482-9485

- High utilization of existing medical and surgical beds in Health Planning District 4, Acute Care Subdistrict 3;
- Population growth in Acute Care Subdistrict 3 and overall growth in the greater Jacksonville area and surrounding counties create demand for additional hospital services;
- The ongoing development of the Jacksonville Mayo Clinic and its continued expansion into education, research, and applied medicine especially its relatively newly licensed quaternary clinical services;
- The continued need for and presence of a community hospital at Belfort Road;
- Cost-efficiency and effectiveness of utilizing the existing Belfort Road campus to continue hospital operations; and
- Ability to expand within the physical plant, adding beds without cost.

This project will result in maintaining hospital services at the present Belfort Road campus, thus, meeting an apparent community need for a range of outpatient, primary and secondary services. However, the various organ transplant programs and open heart surgery program will be relocated to the new Mayo site. This project will not offer the full range of services to heart patients that is currently available at the existing facility.

The applicant believes that the community demand will remain within the service area of the current St. Luke's Hospital at Belfort Road, as 202 community physicians representing all specialties continue to serve patients in the surrounding medical office buildings and whose practices require hospital support. For the period October 1, 1999 through September 30, 2000, the community physicians' caseloads, in addition to deliveries and community physicians' admissions from the Emergency Department (excluding open heart, angioplasties, and stents-DRGS 104 through 109, 112, 116, neonatal services-DRGs 385-389, and all transplant services) and including some 988 emergency cases seen by Mayo physicians, were 5,159 and 22,105 patient days.

Moreover, St. Vincent's Medical Center for the same time period drew a total of 2,577 cases and 10,803 patient days from Acute Care Subdistrict 3, excluding open heart and therapeutic cardiac procedures (DRGs 104-109, DRG 112, and DRG 115) and NICU Level II cases (DRGs 385-389) to

CON Action Numbers: 9482-9485

its facility in Acute Care Subdistrict 2. The assumption is that 75 percent of these cases would likely remain in Acute Care Subdistrict 3 at the Belfort Road campus once St. Vincent's Medical Center operates the hospital. Adding another 8,102 patient days (75 percent of 10,803) to the 22,105 patient days associated with the community physicians yields 30,207 patient days, representing the apparent demand for community services at the Belfort Road hospital that presently exists, would not appear to substantially impact the market share of the other hospitals within Acute Care Subdistrict 3. The total number of patient days experience by St. Luke's in its 272 acute beds in CY 2000 was 61,732. This is slightly less than one half of the number of patient days experienced in the 272 acute beds. The applicant in its primary application is proposing to establish 170 acute beds and in its partial application is proposing to establish 135 acute beds. With this number of patient days, occupancy in the 170 beds would have been 48.68 percent and in the 135 beds would have been 61.30 percent in CY 2000. The applicant's need projections for 2006 are discussed below.

Several factors were evaluated when the partnership opportunity was advanced. The advantages are listed below.

- Presently St. Vincent Medical Center already serves persons within Subdistrict 3.
- The overall compounded annual growth rate for the population in Acute Care Subdistrict 3 is 2.6 percent per year.
- All hospitals within the Acute Care Subdistrict 3 are reasonably used achieving an occupancy rate of 71.49 percent (175,986/246,160) for the 1,360 acute care beds for the first six months of calendar year 2001. An occupancy rate of 82.60 percent (28,353/153,091) is achieved when utilization of the subdistrict's 1,024 medical and surgical beds is computed for the first six months of 2001.
- The ability to establish supplemental hospital operations in Acute Care Subdistrict 3 using an existing hospital building with state-of-the-art equipment and facilities cannot be duplicated for the cost.
- The relocation of the Mayo physicians and their hospital to the Mayo Clinic site, which is 10 miles to the east of its present location at Belfort Road, leaves behind a patient volume for inpatient, outpatient, and emergency services.

CON Action Numbers: 9482-9485

- Baptist's proposed hospital (CON #9482), which is approximately 10 miles away from the Belfort Road campus, reallocates beds southward to patients presently captured by that Health System. The effect is to move closer to the patients that they already serve.
- The present building provides for future expansion without construction⁴, allowing growth to be accommodated without significant capital costs. The applicant anticipates that it will have the ability to add beds under statutory exemption provided the hospital's acute care beds exceed 80 percent utilization. The applicant projects that this exemption may be allowed sooner in the partial award request for 135 acute care beds by projecting that these beds could reach 84.21 percent by the end of the first year.

The average annual compounded growth rate for the population in Acute Care Subdistrict 2 is 1.41 percent, much less than that for Acute Care Subdistrict 3. Moreover, St. Vincent's Medical Center presently enjoys a 75 percent market penetration in Subdistrict 2 competing with Baker Community Hospital and Health Center, Baker County, and Orange Park Medical Center, Clay County. For CY 2000, the three acute care hospitals in Subdistrict 2 reported an average utilization of 65.06 percent. The applicant contends that the transfer of beds under either the main or partial award request impacts St. Vincent's Medical Center, but the impact does not create adverse conditions. Moreover, St. Vincent's Medical Center has two options, both of which could be used if needed, to mitigate the impact on increased occupancy when beds are transferred. The options are the addition of beds by statutory exemption and the conversion of psychiatric beds to acute care beds.

Timing emerges as an important factor in the proposals. St. Vincent's Medical Center would not take over operation of the Belfort Road Hospital until St. Luke's Hospital Association completes the replacement facility at the Mayo Clinic on San Pablo Road. The schedules of the projects coincide, such that 2006 is the first, full year of each project.

While construction commences for the replacement, St. Luke's Hospital Association will continue operations at Belfort Road in the existing facility known as St. Luke's Hospital. Operations involve the ongoing medical practices of community physicians and Mayo Clinic physicians.

⁴ As noted earlier, the building currently accommodates 279 acute beds and 10 level II NICU beds. This applicant is proposing more than 100 fewer beds.

CON Action Numbers: 9482-9485

Additionally, St. Luke's will continue with planned construction projects that are approved and underway.

The applicant presents several factors as rationale for adding beds to Acute Care Subdistrict 3.

The overall occupancy rate of 71.49 percent in Subdistrict 3 for the first six months of 2001 was higher than the occupancy of 64.20 percent reported for calendar year 2000. For the first half of the year 2000, hospitals reported 159,539 patient days, increasing by 16,447 patient days to 175,986 patient days for the first half of 2001, a jump of 10.3 percent over comparable periods.

Interestingly, the data show for calendar year 1999 hospitals in the Acute Care Subdistrict 3 reported 289,921 acute care patient days and 60,855 discharges, following in calendar year 2000 with 319,974 patient days and 66,083 discharges, an increase of 10.3 percent in acute care patient days for the year. Comparing the first six months of 1999 (145,123 patient days) with that of 2000, an increase of 9.93 percent in patient days occurred.

According to the applicant, the projection of patient days for the proposed facility relies on a caseload projection that applies to both the main and partial award requests. The only difference is in the resulting occupancy that occurs, lower with more beds, and higher with fewer beds.

CON Action Numbers: 9482-9485

Projected Available Cases (Excluding DRGs 104-109, 112, 116, 385-389) by Zip Code in Acute Care Subdistrict 3 by Year

Zip Code	CY 2000 Population	Oct-99 Sept-00 Cases	Cases Per 1000 Pop	CY 2006 Total Pop	2006 Cases	2007 Cases	2008 Cases	2009 Cases	2010 Cases	2011 Cases
32207	30,586	4,321	141.27	34,477	4,871	4,969	5,069	5,171	5,275	5,382
32211	30,121	4,126	136.98	33,097	4,534	4,605	4,678	4,752	4,828	4,904
32216	25,545	3,974	155.57	28,191	4,386	4,458	4,532	4,607	4,683	4,761
32217	19,325	2,291	118.55	21,185	2,512	2,550	2,590	2,630	2,670	2,711
32223	25,951	2,010	77.45	28,745	2,226	2,265	2,304	2,343	2,383	2,424
32224	27,542	2,226	80.82	39,438	3,187	3,384	3,593	3,814	4,049	4,299
32225	41,786	3,505	83.88	52,208	4,379	4,545	4,717	4,895	5,080	5,272
32228		11				0	0	0	0	0
32233	26,229	2,416	92.11	28,069	2,585	2,615	2,645	2,675	2,705	2,736
32246	34,797	3,186	91.59	43,722	4,004	4,160	4,321	4,489	4,663	4,844
32250	25,426	2,895	113.86	30,567	3,480	3,589	3,701	3,816	3,935	4,058
32256	25,098	2,493	99.33	30,217	3,001	3,096	3,193	3,293	3,397	3,504
32257	35,290	3,170	89.83	36,627	3,290	3,311	3,331	3,352	3,373	3,394
32258	12,046	1,071	88.91	14,755	1,312	1,357	1,404	1,452	1,502	1,553
32266	7,332	575	78.42	7,608	597	600	604	608	612	615
32267				125	0	0	0	0	0	0
32277	25,425	2442	96.05	28,799	2,766	2,824	2,883	2,944	3,006	3,069
32004	2,340	59	25.21	3,886	98	107	116	126	137	150
32033	2,812	315	112.02	3,205	359	367	375	383	392	400
32080	0	414		17,233	0	0	0	0	0	0
32082	24,313	2,077	85.43	27,895	2,383	2,438	2,495	2,553	2,612	2,672
32084	18,270	2,278	152.05	24,283	3,692	3,872	4,060	4,257	4,463	4,680
32085	6,002	374	62.31	5,139	320	312	304	296	289	281
32086	20,638	3,162	153.21	20,761	3,181	3,184	3,187	3,190	3,193	3,197
32092	5,546	693	124.95	6,707	838	865	893	922	951	982
32095	20,111	2,282	113.47	4,665	529	415	325	255	200	157
32145	3,559	597	167.74	4,257	714	736	758	781	805	829
32259	14,999	1,219	81.27	21,725	1,766	1,878	1,998	2,125	2,260	2,404
32260	0	100			0	0	0	0	0	0
TOTAL	511,089	54,693	107.01	597,586	61,011	62,501	64,074	65,729	67,463	69,278

Note. Population data came from Claritas, Ithaca, New York. Subsequent population estimates were obtained by applying the compounded annual growth rate for each Zip Code. Cases for the period October 1, 1999 through September 30, 2000 come from the Agency for Health Care Administration's, Patient Data Discharge File. If data were not available for a quarter for any hospital, the corresponding quarter from the hospital's prior year was substituted.

The projected cases above provide the pool of potential cases from which the caseload will come for the New St. Luke's Hospital. The applicant then applied a market capture rate to the potential pool of cases by zip code. These range from a market share of 0.01 percent to 0.23 percent.

CON Action Numbers: 9482-9485

The result yielded a caseload of 3,885 cases from within Acute Care Subdistrict 3. For each Zip Code, the percent of the St. Luke's "community" volume of the total cases from that zip code was calculated as a market share. An additional 1,274 cases came from outside of the subdistrict for a total of 5,159 cases.

Application of the Market Share by Zip Code to the Potential Cases Available From Acute Care Subdistrict 3 (Excluding DRGs 104-109, 112, 116, 385-389) to Derive the Estimate of Caseload by Year For the New St. Luke's Hospital's

Zip Code	Market Share	Potential 2006 Cases	2006 New St. Luke's Cases	Potential 2007 Cases	2007 New St. Luke's Cases	Potential 2008 Cases	2008 New St. Luke's Cases	Potential 2009 Cases	2009 New St. Luke's Cases	Potential 2010 Cases	2010 New St. Luke's Cases	Potential 2011 Cases	2011 New St. Luke's Cases
32207	0.10	4,871	470	4,969	479	5,069	489	5,171	499	5,275	509	5,382	519
32211	0.09	4,534	399	4,605	406	4,678	412	4,752	419	4,828	425	4,904	432
32216	0.10	4,386	433	4,458	440	4,532	447	4,607	454	4,683	462	4,761	470
32217	0.15	2,512	371	2,550	376	2,590	382	2,630	388	2,670	394	2,711	400
32223	0.21	2,226	465	2,265	473	2,304	481	2,343	489	2,383	498	2,424	506
32224	0.18	3,187	580	3,384	615	3,593	653	3,814	694	4,049	736	4,299	782
32225	0.13	4,379	550	4,545	571	4,717	593	4,895	615	5,080	638	5,272	663
32228	0.00	0	0	0	0	0	0	0	0	0	0	0	0
32233	0.08	2,585	219	2,615	221	2,645	224	2,675	226	2,705	229	2,736	232
32246	0.11	4,004	445	4,160	462	4,321	480	4,489	499	4,663	518	4,844	538
32250	0.08	3,480	290	3,589	299	3,701	308	3,816	318	3,935	328	4,058	338
32256	0.23	3,001	695	3,096	717	3,193	739	3,293	763	3,397	787	3,504	811
32257	0.19	3,290	612	3,311	616	3,331	619	3,352	623	3,373	627	3,394	631
32258	0.20	1,312	259	1,357	268	1,404	277	1,452	286	1,502	296	1,553	306
32266	0.07	597	43	600	43	604	43	608	44	612	44	615	44
32267	0.00	0	0	0	0	0	0	0	0	0	0	0	0
32277	0.11	2,766	306	2,824	313	2,883	319	2,944	326	3,006	333	3,069	340
32004	0.08	98	8	107	9	116	10	126	11	137	12	150	13
32033	0.01	359	2	367	2	375	2	383	2	392	2	400	3
32080	0.00	0	0	0	0	0	0	0	0	0	0	0	0
32082	0.12	2,383	289	2,438	296	2,495	303	2,553	310	2,612	317	2,672	324
32084	0.01	3,692	54	3,872	57	4,060	60	4,257	63	4,463	66	4,680	69
32085	0.01	320	3	312	3	304	2	296	2	289	2	281	2
32086	0.01	3,181	32	3,184	32	3,187	32	3,190	32	3,193	32	3,197	32
32092	0.04	838	30	865	31	893	32	922	33	951	34	982	35
32095	0.02	529	10	415	8	325	6	255	5	200	4	157	3
32145	0.01	714	4	736	4	758	4	781	4	805	4	829	4
32259	0.12	1,766	210	1,878	223	1,998	238	2,125	253	2,260	269	2,404	286
32260	0.00	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL		61,011	6,778	62,501	6,964	64,074	7,157	65,729	7,358	67,463	7,567	69,278	7,784

Source: CON #9484

CON Action Numbers: 9482-9485

The applicant states that market share remains fixed and does not increase over the projection period to add conservatism. For the first year, 2006, the new St. Luke’s Hospital is expected to capture 6,778 cases from Acute Care Subdistrict 3. For each of the next five years, the caseload for the proposed hospital was calculated and appears in the table above.

To the resulting caseload projections from Acute Care Subdistrict 3, the applicant added the cases expected from outside of the subdistrict using historical information and an average length of stay that was held constant at 4.61 days. This was based upon the historical utilization of hospitals within the subdistrict (open heart and related and NICU cases were removed). This information is summarized in the following table:

Projected Numbers of Cases and Patient Days at the New St Luke’s Hospital by Year, with Corresponding Average Daily Census (ADC) and Occupancies Under the Main Application (170 Beds) and the Partial Award Request (135 Beds)

	2006	2007	2008	2009	2010	2011
Cases from Subdistrict	6,778	6,964	7,157	7,358	7,567	7,784
Divide by .753022917						
Total Cases	9,001	9,248	9,504	9,771	10,048	10,336
ALOS	4.61	4.61	4.61	4.61	4.61	4.61
Patient Days	41,496	42,632	43,814	45,043	46,321	47,649
ADC	114	117	120	123	127	131
Occupancy w/ 135 Beds	84.21%	86.52%	88.68%	91.41%	94.01%	96.70%
Occupancy w/ 170 Beds	66.88%	68.71%	70.42%	72.59%	74.65%	76.79%

Source: CON #9484

The projections above show that for the first year of operation, 2006, the New St. Luke’s Hospital expects 9,001 cases. Holding the length of stay constant from the baseline period at 4.61 days, the cases are expected to generate 41,496 patient days, yielding an average daily census of 114 persons. With the partial award request that grants a facility with 135 acute care beds, the resulting occupancy will be 84 percent, indicating a highly utilized facility.

Under the main application that proposes 170 beds, the same average daily census results in a first year occupancy rate of 67 percent. The same comparisons can be made for the remaining four years. By the end of the fifth year, 2011, holding lengths of stay and market shares constant, the smaller facility at 135 beds is expected to be operating above recommended levels at 97 percent, while the facility with 170 beds will be operating just above the standard of 75 percent, achieving 77 percent. The applicant contends that at the rapid rate, which the facility at the 135-bed level exceeds, 80 percent occupancy argues that the main application request for 170 beds is the more prudent project since conservative estimates were made using the unchanging factors in the

CON Action Numbers: 9482-9485

model presented. However, as noted earlier, the applicant has the ability to add beds through an exemption process. Further, as stated earlier, the hospital has existing bed capacity so that beds demonstrated as needed through the exemption process can be quickly and easily added.

The analyses presented by the applicant supports sustaining community hospital operations at the Belfort Road Campus by creating the new St. Luke's Hospital. Growth within the subdistrict is the underpinning of continued hospital utilization. As the model used in this section demonstrated, holding the use rate, average length of stay, and market share constant, sufficient demand will be generated to sustain the hospital. Moreover, the specialized nature of the Mayo Clinic Hospital, discussed in related CON #9483, provides for a host of different services that enhance rather than compete with the existing hospitals.

The applicant's presentation of the rapidity with which the facility will attract patients and fill beds was based on historical utilization and other varying factors that may not apply once the facility converts back to a community hospital. With the change in law that allows hospitals to add beds without CON review once a 12-month occupancy of 80 percent has been obtained, as discussed earlier, should this historical trend continue, the applicant can quickly and easily add up to 10 percent of its licensed bed capacity. In view of this option, it would appear that the more conservative partial award request for 135 beds is the logical approach to meeting immediate needs, with the ability to add beds dependent upon the utilization constraints experienced by the hospital and without the need for additional construction.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The proposed project involves a request for 25 additional acute care hospital beds to meet facility specific needs. Given the hospital's most recent utilization experience and the expected increases in its service area population, the applicant contends that additional beds will be needed to maintain its current level of service.

Baptist Beaches' primary service area is composed of six zip codes (32224, 32233, 32250, 32266, 32004 and 32082) in the beaches/Intracoastal areas of Duval and St. Johns Counties. With an expected population increase from 122,553 to 140,404 (14.6 percent) by 2006, the service area's population growth outpaces that of Duval County (5.5 percent) and is the driving force behind the request for additional beds. To forecast future demand for inpatient care at the hospital, historic age-specific use rates (patient days per 1000 population) were applied to the population projections.

CON Action Numbers: 9482-9485

According to the applicant's patient day forecast, the additional 25 beds will allow the hospital to operate at 72.8 percent of capacity in FY 2008. The applicant contends that without the additional beds, the hospital would be precluded from maintaining its current level of service to its primary service area and would suffer a loss of market share. As such, the applicant states that the requested beds will have only a facility specific impact with no appreciable impact on other facilities.

In support of the project, the applicant provided utilization data for the period October 2000 through September 2001 as extracted from the hospital's internal data. This data indicates that the hospital had a utilization average of 79.3 percent for the 12-month period. The data provided by the applicant includes one additional quarter of data than the preliminary data collected by the agency from the local health planning area. The Subdistrict 3 utilization data for Baptist Beaches for the period July 2000 through June 2001 is shown as follows:

**Hospital Subdistrict Utilization Data
July 2000 through June 2001**

Hospital	Acute Care Beds	July-Sep 2000	Oct-Dec 2000	Jan-March 2001	April-June 2001	12 Month Totals
Baptist Medical Ctr-Beaches	82	72.84%	74.63%	81.73%	82.81%	77.97%
Subdistrict 3 total	1,360	62.10%	68.37%	73.91%	69.13%	67.71%

Source: Hospital Bed Need Projections-January 2002 (Preliminary)

As shown above, AHCA data for the specified time frame indicates an average occupancy of 77.97 percent, slightly less than the average provided by the applicant for 12 months of operation. However, the utilization data does support the applicant's position of being the most highly utilized hospital in Subdistrict 3.

Of the 82 beds currently in service, 74 are operated as adult medical/surgical beds while the remaining eight beds are operated as obstetrics beds. The removal of the eight obstetric beds would increase the hospital's medical/surgical beds to 82.2 percent based on the applicant's data for the 12 months ending in September 2001. The applicant states that during the traditional peak season of December through March, the hospital averaged 83.8 percent in the facility's non-obstetrical beds. However, according to the applicant's data, for the period May through August 2001, historically a period of lower volume, the occupancy average was 83.8 percent. Also according to the applicant, the situation in the hospital's eight-bed critical care unit (CCU) is also high with an average occupancy of 90.2 percent for the 12 months specified by the applicant. The applicant contends that given the

CON Action Numbers: 9482-9485

high overall occupancy of other beds and the architectural constraints within the facility, the CCU cannot be expanded without a bed addition and new construction. It is the intent of the applicant to increase the CCU bed complement from eight to 12 beds as part of the 25-bed request. The construction of the remaining 13 beds will be in a new medical/surgical unit that is wired and equipped for monitoring, giving the hospital additional capacity for these patients as necessary. The hospital's remaining 16 beds will continue in the obstetrics service as is.

Intended Use for 25 Additional Acute Care Beds at Baptist Beaches

Type	Current	Addition	New
Med/Surg.	66	+21	87
Intensive Care	8	+ 4	12
Obstetrics	16	0	16
Total	90	+25	115

Source: CON page 10

Note: The 115 total beds include the 8 beds approved, but not yet implemented

The primary service area previously addressed, provides 74.6 percent of the hospital's inpatient volume. According to Claritas Demographics data provided by the applicant for the hospital's primary service area, the population in the zip code service area is expected to increase by 17.0 percent over the next eight years. As expected, the higher growth rates are expected in the 55-64 (46.6 percent), 65-74 (16.8 percent) and 75 plus (31.2 percent) age cohorts. The applicant states that an indication of the population growth in the area can be made from the various improvements to the local infrastructure, including revitalization of downtown Jacksonville Beach, and the opening of new schools and businesses in the area of the hospital.

According to the applicant's patient day forecast, age specific use rates (population by age cohort divided by estimated January 1, 2000 population) were applied to the population estimates to forecast annual patient days for primary service area adult residents through the year 2008. According to the applicant's patient day projections, adult inpatient days in the service area are expected to increase from 39,599 in 2002 to 49,454 in 2008. The applicant states that during the period from July 1999 through June 2000, Baptist Beaches accounted for 44.0 percent of the adult patient days reported from the primary service area. The market share by hospital for the designated primary service area is as follows:

CON Action Numbers: 9482-9485

**Market Share by Hospital in Baptist Beach's
Primary Service Area (All Adults)**

Hospital	Patient Days	Market Share
Baptist-Beaches	15,795	44.0%
St. Luke's Hospital	7,853	21.9%
Memorial Hosp-Jax	4,898	13.6%
Baptist Med-Downtown	3,307	9.2%
Shands Jacksonville	1,679	4.7%
St. Vincent's Medical	924	2.6%
Other	1,447	4.0%
Total	35,903	100%

Source: AHCA Discharge Data/CON, page 16

As shown above, St. Luke's, followed by Memorial-Jacksonville have the second and third highest penetration in the applicant's primary service area with 21.9 percent and 13.6 percent respectively. The applicant determined its overall market share by looking at its medical/surgical patients and obstetric patients. According to the applicant, the hospital's market share for adult medical/surgical patients was held constant at 46.1 percent, but the obstetrics share was increased from 23.9 percent to 40.4 percent, increasing the hospital's total market share from 44.0 to 45.6 percent. The out of area draw was held constant at historical levels for both medical/surgical and obstetrics services. -The recently approved eight bed addition to Baptist Beaches was for obstetrical beds (CON #9235) which have since declined in volume due to what the applicant admits is a lack of promotion for the program. The applicant is hopeful of redirecting some obstetrical patients now using other hospitals in the district. The hospital currently has an out of area draw of 25.4 percent for all acute care beds. The applicant's expected market share may be overly optimistic.

In order to arrive at a utilization forecast for the additional 25 beds, the market share rates of the hospital were applied to the primary service area patient days forecasts. The following provides the applicant's utilization forecast for the first seven years of operation of both the current beds (including the recent 8 bed approval) and the projected 115 bed project.

Baptist Beaches Utilization Forecast for both 90 beds and 115 beds.

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
Occup. 90 beds	74.7%	77.8%	80.8%	83.9%	86.9%	90.0%	93.0%
Occup. 115 beds	58.5%	60.9%	63.2%	65.6%	68.0%	70.4%	72.8%

Source: CON, page 20

CON Action Numbers: 9482-9485

In closing, the applicant states that the proposed beds are needed to maintain Baptist Beaches market share as the primary service area population increases over the next five to seven years. However, the applicant states that it actually seeks to expand its obstetric market share and has based projections on that expanded market. Even with the hoped for expanded market, occupancy levels as far into the future as seven years are not expected to reach 75 percent. It is noted that hospitals may now increase acute care beds by 10 or 10 percent through a CON exemption review upon reaching an average occupancy rate of 80 percent over a 12-month period. Need for 25 additional acute care beds at Baptist Beaches has not been demonstrated by the applicant.

2. Local Health Plan Preferences

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1); 408037(1), Florida Statutes.

The Health Council of Northeast Florida, Inc. adopted the following generic preference statements from the 2000/2001 Regional IV Health Plan.

DISTRICT 4 GENERIC PREFERENCE STATEMENTS

For both competing and non-competing CON applications, preference shall be given to:

- 1. Applicants who demonstrate that they will meet identified needs by providing services which meet commonly accepted quality standards in a most economical manner in terms of capital and operating expenditures.**

Southern Baptist Hospital of Florida, Inc. (CON #9482): The applicant states that it has continuously provided services that meet commonly accepted quality standards, as documented by the licensure history and JCAHO Accreditation with Commendation. The applicant also states that following incremental net operating losses during the first two years, the proposed project is expected to make a positive contribution toward the total operating margin.

CON Action Numbers: 9482-9485

St. Luke's Hospital Association (CON #9483): The applicant contends that the two phased proposal that includes St. Vincent's taking over the current St. Luke's facility, will meet future the needs of local, regional and national patients. The applicant states that the proposed replacement hospital will meet and exceed all state and federal licensure and accreditation standards and will operate in an economic and efficient manner. The various benefits of the proposed project were previously discussed. Although the total cost of the project is substantial (\$207 million), the applicant contends that the capital investment is appropriate for the high acuity teaching and research hospital, which will be created via this project. This project does not address subdistrict acute care needs.

St. Vincent's Medical Center, Inc. (CON #9484): The St. Vincent's Medical Center has ongoing Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation.

In this proposal, St. Vincent's Medical Center will occupy an existing hospital facility. The fact that the building is licensed, functional, and in excellent condition permits St. Vincent's Medical Center to initiate operations efficiently.

According to the applicant's projections, the demand for services will allow the new St. Luke's Hospital to attain an average daily census of 114 by the end of the second year of operation. The average daily census is expected to grow over the five years, and allows the hospital to achieve profitability.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The applicant reiterates the need for the project based on three factors: the hospital's current average occupancy of 79.3 percent during the most recent 12-month period, the service area's expected population increase of 17 percent over the next seven years, and the hospital's role as the primary service provider in the identified service area. However, the applicant has eight CON approved beds not yet licensed and failed to demonstrate need for an additional 25 acute care beds. Refer to Item 1 above.

The applicant also states that the total operating expenses per patient day is more favorable with the project than without (Financial Schedule 8A). In year one, the total expenses per patient day with the project is \$2,299 versus \$2,316 without the project and in year two, \$2,385 compared to \$2,463.

2. Applicants who demonstrate that they can alleviate a current or potential geographic access problem.

Southern Baptist Hospital of Florida, Inc. (CON #9482): The applicant reasonably demonstrated that the project will enhance availability and accessibility of acute care services in the PSA, and meet an apparent future need for services as the area population increases. However, it was not demonstrated that geographic access to hospital services for residents of the PSA is prohibitive.

St. Luke's Hospital Association (CON #9483): The applicant states that the alignment of St. Luke's Hospital with Mayo has resulted in intensification of the services offered at St. Luke's, including inpatient volume growth in both inpatient and outpatient services. The applicant further states that in conjunction with St. Vincent's Hospital, the linked proposals will ensure that access to hospital care is maintained and enhanced. Without this project, the applicant contends that access to and the use of the current St. Luke's facility would be limited to at least Mayo practices and possibly closed to all usages.

St. Vincent's Medical Center, Inc. (CON #9484): As co-batched applicant St. Luke's Hospital Association has indicated in its response to this criterion, if the relocation project is not approved, the community's access to St. Luke's services will be limited. Approval of both the relocation project and St. Vincent's project will allow community access to most of the services currently available to the community St. Luke's Hospital is now serving.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The applicant maintains that the hospital's current utilization and market share among service area residents indicate a preference for the proximity and quality of care services provided by Baptist Beaches. The applicant contends that without the additional beds, the hospital will not be able to maintain its current level of service to the primary service area, thus creating a geographic access issue. However, this has not been demonstrated.

3. Applicants who demonstrate that the proposed service has access to an adequate supply of appropriate health manpower.

NOTE: The applicants provided basically the same response to this criterion, referencing recruitment and retention plans. However, a nursing shortage exists nationwide and is expected to reach an even more crucial level in the future.

CON Action Numbers: 9482-9485

Southern Baptist Hospital of Florida, Inc. (CON #9482): The applicant contends that it has the ability, through extensive recruitment and retention plans, to maintain access to appropriate health manpower.

St. Luke's Hospital Association (CON #9483): The applicant states that all required staff will be provided by either St. Luke's Hospital or Mayo staff from current existing staffing. The applicant indicates that the hospital currently has available all of the required non-physician resources needed to support acute care patients, including nursing, nutrition, respiratory therapy, social work, laboratory, blood bank, radiology, pharmacy, and administrative staff. Medical staff resources will be provided by Mayo physicians who are already on site in Jacksonville. The applicant also addressed its staff recruiting program.

St. Vincent's Medical Center, Inc. (CON #9484): The applicant discusses the various resources that are available for the project, and includes information about how St. Vincent's Medical Center addresses recruitment and retention.

The replacement facility proposed by St. Luke's Hospital on the Mayo Clinic site will reduce the number of beds and eliminate obstetrical services. Some employees will be discharged. These employees will be able to apply for, and most likely retain employment at the New St. Luke's Hospital. The applicant further states that opportunities for employment will be created and will be satisfied by the changing scope of the Mayo Clinic Hospital and the ongoing presence of the community hospital at Belfort Road.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The applicant states its ability to draw manpower from the extensive human resources services provided by the Baptist Health System. The applicant did not address any potential sources of health manpower in the area, i.e. schools, etc.

4. Applicants who demonstrate that new or expanded bed capacity and/or service will not have a significant negative impact on similar adjacent healthcare facilities.

It is noted that Memorial Hospital Jacksonville submitted letters in opposition to all projects except Baptist Beaches, stating that it will be adversely impacted should CON Numbers 9482, 9383 or 9484 be approved. However, all three co-batched applicants have reasonably shown this not to be the case.

Southern Baptist Hospital of Florida, Inc. (CON #9482): The project does not seek new or expanded bed capacity, but rather, the redistribution of current licensed bed capacity through the development of a new satellite hospital. The most significant impact of the project is expected to be on the Baptist-Downtown facility as a result of a shift of patient volume to the new facility. However, the project is expected to have a minimal impact on area hospitals that presently discharge patients to the ZIP codes that comprise the proposed PSA. The most impacted hospitals, appear to be Memorial, St. Luke's, and Baptist-Downtown. It is anticipated that ongoing population growth and an aging population will help offset any negative impact on area facilities in the future.

St. Luke's Hospital Association (CON #9483): The applicant contends that since the proposed project involves only existing licensed beds and services, and will focus on treating an existing and forecasted patient base, the project is expected to have minimal impact on existing providers of acute care services. Further, as shown by Mayo's patient origin data, and the hospital's tertiary/quaternary service focus, the geographic area from which Mayo patients will be drawn and the mix of patients expected is different than that observed in a traditional community hospital.

CON Action Numbers: 9482-9485

St. Vincent's Medical Center, Inc. (CON #9484): The potential for adverse impact was previously addressed by the applicant. The applicant demonstrated that caseloads will increase, even with the inclusion of the new replacement facility for St. Luke's Hospital Association, CON #9483, and the retention of a hospital at Belfort Road. The transfer of beds under either the main or partial award request is expected to impact the existing St. Vincent's caseload but does not appear to create adverse conditions with regard to other hospital's in the area. The applicant does indicate that it has options to counteract any adverse impact on the main campus in Subdistrict 2, those being the addition of beds by statutory exemption and the conversion of psychiatric beds to acute care beds. The applicant reasonably concluded that acute care cases will increase by the subdistrict growth rate for all hospitals in the subdistrict.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The applicant states that the project is intended as a facility specific need and should not have an adverse impact on other hospitals in the service area. The applicant contends that without the additional 25 beds, the hospital would be precluded from maintaining its current level of service to its primary service area and will actually lose market share.

5. Applicants who commit to maximizing services to rural county residents (if applicable).

All of the co-batched applicants indicate that their respective projects are not intended to maximize services to rural county residents.

DISTRICT 4 ACUTE CARE BEDS

In addition to the generic preference statements that apply to all CON applications, the Council has adopted the following preference statements specific to acute care beds. For both competing and non-competing applications, preference shall be given to:

1. **Applicants who propose to convert licensed unused beds or use existing space rather than new construction, including space created by previous voluntary delicensure of unused beds.**

Southern Baptist Hospital of Florida, Inc. (CON #9482): The applicant responds that of the 92 beds to be relocated to Baptist South, 64 are temporarily out of service because the aged facility housing these beds has been closed and demolished. The implementation of these inactive beds plus an additional 28 from the Main Building at a satellite location is expected to remove the space requirements associated with these beds from the Baptist Downtown campus. The applicant contends that new construction will be required whether the new hospital is built or space is constructed on the Downtown campus. The project does not appear to meet the intent of this preference.

St. Luke's Hospital Association (CON #9483): The proposed replacement hospital will be developed via the relocation of existing licensed bed capacity and specialty services versus the addition of new beds and services. The applicant states that its intent is to optimally size licensed bed capacity by leaving 75 beds at its old facility for use by St. Vincent's Medical Center. However, the project does require new construction and a substantial capital expenditure of approximately \$207 million. The project partially meets the intent of this preference.

St. Vincent's Medical Center, Inc. (CON #9484): The project involves the use of existing space rather than new construction and will also take advantage of the 75 beds that will be left at the Belfort Road location when St. Luke's Hospital relocates to the Mayo Clinic Site.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The proposed project does not involve a conversion of unused beds. The request for additional beds is due to the high overall utilization of the hospital's acute care bed complement.

2. **Applicants who demonstrate that they will provide a full array of acute care services including medical-surgical, intensive care, pediatric and obstetrical services within the market area for which they are applying.**

Southern Baptist Hospital of Florida, Inc. (CON #9482): The proposed Baptist South will focus on providing adult medical/surgical and obstetrical services only. Certain tertiary services will not be provided at the new facility but will be available at affiliated hospitals.

St. Luke's Hospital Association (CON #9483): The proposed hospital will focus on tertiary and quaternary care and services. As a result, obstetrical care will not be offered at the replacement hospital. However, the companion project filed by St. Vincent's does include obstetric and Level II NICU services to be located at the vacated St. Luke's facility. The intent of this preference appears to be met through both linked projects.

St. Vincent's Medical Center, Inc. (CON #9484): St. Vincent's Medical Center at the New St. Luke's Hospital does propose to provide a full array of services, minus all transplant services as well as all open-heart surgery and related therapeutic cardiac procedures (DRGs 104-109, 112, and 116). There are no projected differences between the primary project and the partial award request with regard to services offered.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The Baptist Beaches facility is a full service community medical center that provides care primarily to residents of the Beaches and Intracoastal communities. Adult tertiary services (i.e., open-heart surgery) and all pediatrics (other than emergency), tertiary and otherwise, are provided at the affiliated Baptist Downtown and at Wolfson Children's Hospital.

3. **Existing facilities when the number of beds to be awarded is 50 beds or less.**

Southern Baptist Hospital of Florida, Inc. (CON #9482): The applicant is an existing hospital provider seeking to redistribute existing licensed bed capacity within the subdistrict. The project as proposed does not meet the intent of this preference.

St. Luke's Hospital Association (CON #9483): The proposed project does not involve additional beds.

CON Action Numbers: 9482-9485

St. Vincent's Medical Center, Inc. (CON #9484): The applicant is proposing to add 105 new beds to the subdistrict in its primary request and 70 new beds in its partial request. This project does not meet the intent of this preference.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The applicant meets the intent of this preference since it seeks approval of 25 beds.

4. Applicants proposing to acquire or consolidate facilities where it can be demonstrated that services will be improved and cost to the public will be reduced.

Southern Baptist Hospital of Florida, Inc. (CON #9482): The project does not involve an acquisition or consolidation. The proposed redistribution of beds in a new satellite facility is expected to enhance accessibility and availability of acute care services in the subdistrict. It was not demonstrated that the project will reduce costs to the public.

St. Luke's Hospital Association (CON #9483): The applicant states that the proposed consolidation of St. Luke's and Mayo facilities will result in a number of service improvements and in the achievement of a number of economies of scale. An example provided by the applicant involves administrative efficiencies resulting in 127.9 fewer administrative FTEs than the existing hospital. It was not demonstrated that the project will reduce costs to the public.

St. Vincent's Medical Center, Inc. (CON #9484): St. Vincent's Medical Center will acquire the property, plant and equipment from St. Luke's Hospital Association. This acquisition is made possible with St. Luke's Hospital Association seeking to construct a replacement hospital that in effect leaves behind the existing physical plant, property and equipment. It was not demonstrated that this project will reduce costs to the public.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The project does not involve an acquisition or consolidation, but rather requests 25 additional acute care beds to maintain its current level of service within its primary service area.

5. **Applicants who submit copies in their CON application of current written patient transfer agreements with the county health department primary care program.**

Southern Baptist Hospital of Florida, Inc. (CON #9482): Baptist Downtown does not currently hold written patient transfer agreements with the county health department primary care program.

St. Luke's Hospital Association (CON #9483): St. Luke's Hospital currently has an active transfer relationship with the County health department's primary care program. However, there is no indication given that this relationship will continue once the hospital is relocated with a primary focus on tertiary services. The applicant does intend to delicense its Level II NICU and cease obstetrics.

St. Vincent's Medical Center, Inc. (CON #9484): The hospital does not have a formal transfer agreement with the county health department. However, the applicant does indicate that the hospital staff routinely works with the county health unit to provide access to care, including prenatal care, obstetrical services, primary care, and children's care, along with prevention, education, and health promotion.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The hospital does not hold written patient transfer agreements with the county health department primary care program. The applicant does however, provide an emergency medical screening examination and any necessary stabilizing treatment to all persons who seek emergency care at the hospital.

6. **Preference shall be given to an applicant who demonstrates that the transfer of beds is necessary to maintain or improve the care.**

Southern Baptist Hospital of Florida, Inc. (CON #9482): The applicant reasonably demonstrated that the relocation of beds to a satellite hospital in Subdistrict 3 will improve access to acute care services and enhance care for area residents. The intent of this preference is met.

St. Luke's Hospital Association (CON #9483): The applicant contends that the current hospital is facing operational limitations, which could potentially impact quality of care if not addressed.

CON Action Numbers: 9482-9485

The applicant reasonably demonstrated that the project will allow it to better serve Mayo Clinic patients through the consolidation of inpatient and outpatient facilities at one site versus having services separated by at least a 20-30 minute drive. The intent of this preference is met.

St. Vincent's Medical Center, Inc. (CON #9484): The applicant reasonably demonstrated the need to continue providing community hospital services at the Belfort Road site based on previously discussed accessibility issues, population growth, utilization history of existing facilities, and cost-efficiency and effectiveness of utilizing the existing hospital campus. The intent of this preference is met.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The proposed project does not involve the transfer of beds.

7. **Preference shall be given to an applicant for the transfer of beds if the applicant can demonstrate that the transfer of beds is more cost-efficient than the renovation and expansion of the existing facility.**

Southern Baptist Hospital of Florida, Inc. (CON #9482): The applicant states that the proposed project will reduce the number of beds, services and patients at the congested, land-locked downtown campus. The applicant further states that by relocating 92 beds to the satellite facility, it can initiate a separate project to construct a new patient services wing on the downtown campus. The new patient services wing and a parking garage are planned for a 1.79 acre parcel recently purchased. However, the new wing cannot accommodate the beds planned for Baptist South. The downtown facility could accommodate the beds proposed to be moved at the hospital's existing adult medical tower. However, the applicant states that the construction of additional floors would be a costly venture (\$275 GSF downtown compared to \$190 at Baptist South). The applicant also contends that the operation of all licensed beds at Baptist Downtown will only worsen the congestion on the downtown campus rather than improve the situation. The applicant reasonably demonstrated that the project is more cost-efficient than expanding on the existing site.

St. Luke's Hospital Association (CON #9483): The applicant states that due to local land use limitations, an undersized infrastructure to support the clinical, teaching and research activities, and the operational impact of trying to rebuild while

CON Action Numbers: 9482-9485

continuing operations, the conclusion was reached that on-site renovation and expansion was not a feasible alternative. The applicant further states that even a partial attempt to upgrade the existing facility would cost in excess of \$100 million. The proposed project will allow the applicant to sell the existing facility, thus using the funds to partially construct the new hospital at the Mayo Clinic site. The applicant reasonably demonstrated that the project is a cost efficient use of existing resources.

St. Vincent's Medical Center, Inc. (CON #9484): In this proposal, St. Vincent's Medical Center's project does not offer a choice between expanding or renovating onsite or transferring beds to create a new hospital. Rather, St. Vincent's Medical Center is proposing to acquire an existing hospital building, i.e. the property, plant, and equipment, and maintain it as a hospital when the St. Luke's Hospital Association vacates the building for its replacement facility as proposed in related CON 9483. To ensure operating efficiencies, St. Vincent's Medical Center proposes to increase the 65 acute care beds "left behind" in the delicensure by transferring acute care beds from St. Vincent's Medical Center. In the main application, 35 beds are transferred from St. Vincent's Medical Center, while in the partial award request 70 acute care beds are transferred. The applicant reasonably demonstrated that the project is a cost efficient use of resources, since the Belfort Road site provides for expansion without new construction, allowing growth without significant capital costs. The applicant contends that future growth at it's current site, which although in another planning area serves residents of this planning area, would involve costly expansion unless the beds are transferred to the new location.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The project does not involve the transfer of beds.

- 8. Preference shall be given to an applicant who proposes to locate transferred beds in an area that will improve access to Medicaid and indigent patients.**

Southern Baptist Hospital of Florida, Inc. (CON #9482): Baptist Downtown is a Medicaid disproportionate share provider because of its provision of services to these populations. The applicant anticipates that the proposed satellite facility will serve a proportion of Medicaid sponsored, charity and other patients, which is representative of the residents in the proposed primary service area. According to Financial Schedule 7A, the applicant is

CON Action Numbers: 9482-9485

projecting that Medicaid will represent 2.52 percent of total patient days in the satellite facility in year one and 2.95 percent in year two. The combined operations of the main campus and the satellite facility will provide 12.37 percent of total patient days in year one and 12.20 percent in year two. Charity care in the new facility is included in self pay. The applicant indicates that charity will represent 28 percent of self pay business. This represents approximately 1,300 patient days per year for charity care or approximately 0.85 percent of total patient days for charity care. According to the FY 1999 Hospital Financial Data Guide, this approximates the charity care provided by the main campus. There is no indication provided that the proposed project will improve access to Medicaid and indigent patients. However, it is suspected that the establishment of this satellite facility will better allow the applicant to continue its indigent mission at the downtown campus.

St. Luke's Hospital Association (CON #9483): There is no indication given that the proposed project will improve access to Medicaid and indigent patients. According to Financial Schedule 7A, the applicant is projecting that Medicaid will comprise two percent of total patient days in each of the first two years of operation. Charity care is included with self-pay and is forecasted at 0.7 percent of gross revenue for the first two years. The Hospital Financial Data Guide for 1999 indicates that St. Luke's provided 1.1 percent of total patient days for Medicaid patients and 0.5 percent for charity care. There is no indication provided that the proposed project will improve access to Medicaid and indigent patients and access to the medically indigent at the new hospital may actually be reduced as a result of this relocation, discontinuation of Level II NICU services, reduction in acute beds, and anticipated change in patient population. It is noted that St. Vincent's, in CON #9484 is proposing to condition award of the CON upon providing care to the medically indigent population and will be serving the same area previously served by St. Luke's if both projects are approved.

CON Action Numbers: 9482-9485

St. Vincent's Medical Center, Inc. (CON #9484): The applicant is not proposing to transfer beds within the subdistrict. However, access to acute care to the medically indigent will improve as the applicant has agreed to condition award of either CON upon its provision of 2.2 percent of its patient days to charity patients. St. Vincent's is the only co-batched applicant proposing to condition award of its CON upon provision of a percentage of its acute care patient days to the medically indigent. (Refer to Agency rule criterion below for further discussion).

Baptist Medical Center of the Beaches, Inc. (CON #9485): The proposed project involves a request for 25 additional acute care beds rather than a transfer of beds. According to the Hospital Financial Data Guide for 1999, Baptist-Beaches provided 2.2 percent of total patient days for Medicaid patients and 1.9 percent for charity care patients. (Refer to Agency Rule criterion below for further discussion).

3. Agency Rule Preferences

Does the project respond to preferences stated in agency rules? Indicate how each applicable criteria for the type of service proposed is met. Ch. 59C-1.031-.044, Florida Administrative Code.

The following criteria and standards found in Chapter 59C-01.038(6) of the Florida Administrative Code are applicable to a request for additional acute care beds:

- a. Priority consideration for initiation of new acute care services or capital expenditures shall be given to applicants with a documented history of providing services to medically indigent patients or a commitment to do so.**

NOTE: The applicants' history of providing services to medically indigent patients or a commitment to do so is considered an important factor in examining access to quality health care.

The following table provides the Medicaid/charity care percentages for each of the applicant hospitals in District 4 and the subdistrict.

CON Action Numbers: 9482-9485

Medicaid/Charity Care Percentages Subdistrict Comparisons

Hospital	% Medicaid Days	% Gross Charity
Baptist Hospital (CON #9482)	10.6%	0.8%
St. Luke's (CON #9483)	1.1%	0.5%
St. Vincent's Med. Ctr. (CON #9484)	3.9%	1.3%
Baptist-Beaches (CON #9485)	2.2%	1.9%
Memorial Hospital Jacksonville	5.4%	1.2%
Flagler Hospital	5.9%	2.5%
Total Subdistrict	4.8%	1.1%
Total District	8.5%	3.6%

Source: AHCA Hospital Financial Data 1999

Note: St. Vincent's Med. Ctr. is located in Subdistrict 2 and not included in Subdistrict total above.

Of the hospital's listed above, Baptist Hospital, St. Vincent's, and Flagler Hospital are designated Medicaid Disproportionate Share providers. Baptist Hospital provided the most Medicaid care when compared to both the district and subdistrict providers and St. Luke's provided the least. None of the subdistrict hospital's charity care exceeded the district level of charity care. Flagler provided the highest level of charity care among the subdistrict providers and again, St. Luke's provided the lowest. As noted earlier, St. Vincent's is the only co-batched applicant proposing to condition award of the CON upon providing care to the medically indigent.

Southern Baptist Hospital of Florida, Inc. (CON #9482): The applicant asserts a history of providing Medicaid and charity care and a commitment to continue doing so in the future. The downtown hospital is a state designated Medicaid disproportionate share provider, an indication that care provided to Medicaid and charity care patients is above the proportion of Medicaid provided by most hospitals in District 4. The applicant projects a facility wide payer mix (includes both Baptist Downtown and Baptist South) that includes 12.4 percent Medicaid patient days and approximately three percent of charges to self pay. Charity care in the new facility is included in self pay. The applicant indicates that charity will represent a percentage of self pay business. This represents approximately 1,300 patient days per year for charity care or approximately 0.85 percent of total patient days for charity care. According to the FY 1999 Hospital Financial Data Guide, this approximates the charity care provided by the main campus. The applicant does not agree to condition approval of the application upon providing some portion of its patient days to indigent care. However, it suspected that the establishment of this satellite facility would better allow the applicant to continue its indigent mission at the downtown campus.

CON Action Numbers: 9482-9485

St. Luke's Hospital Association (CON #9483): The applicant states its commitment to providing care to all patients in need, including Medicaid patients and medically indigent patients. During 2000, the applicant states that it provided 1.6 percent of its patient care services to Medicaid patients plus an additional \$2 million of care to medically indigent patients. According to the applicant's financial projections (Schedule 7A), the hospital projects to provide two percent of its total patient days to Medicaid patients at the new location by 2006. The applicant does not request that the project be conditioned for a certain amount of Medicaid and charity care services. According to the FY 1999 Hospital Financial Data Guide, St. Luke's provided 1.1 percent of total patient days for Medicaid patients and 0.5 percent for charity care. As stated above, this proposed relocation is not expected to improve access to care to the medically indigent population and access to the medically indigent may actually be reduced at the Mayo location as a result of this relocation, discontinuation of Level II NICU services, reduction in acute beds, and anticipated change in patient population. Again, St. Vincent's in CON #9484 is proposing to condition award of that CON upon providing care to the medically indigent population, if approved and because of St. Vincent's commitment, access to the indigent may improve.

St. Vincent's Medical Center, Inc. (CON #9484): The applicant states its commitment of providing care to all patients. The applicant presented a table showing the hospital's historical provision of services to the medically indigent for the past several years. In the applicant's presentation, charity care is grouped in with self pay, which is somewhat misleading. However, for this combined payor grouping, the hospital's percentage of patient days has increased from three percent in 1998 to 4.3 percent for the fiscal year to date. As a percentage of net patient service revenues, this proportion has grown from 4.4 percent in 1998 to 6.7 percent. Proformas (Schedule 7A for both the primary and partial applications⁵) show that the applicant expects to provide 6.9 percent of its patient days to Medicaid patients. Charity care is represented as self pay in both applications.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The applicant states that it has an ongoing policy and history of serving all patients in need in a non-discriminatory manner. According to Financial Schedule 7A, Medicaid patient days will represent 1.5 percent of total patient days in each of the first two years of operation following the proposed addition. Charity care is included with self-pay for a total of 6.1 percent of total patient days in years one and two. Charity care patient days are not shown, but the applicant does show \$3,119,042 in

⁵ It is noted that the number of beds presented in the partial application in Schedule 7a was 162 rather than 135.

CON Action Numbers: 9482-9485

charity care in year one and \$3,382,608 in year two. According to the FY 1999 Hospital Financial Data Guide, Baptist-Beaches provided 2.2 percent of total patient days to Medicaid and 1.9 percent for charity care. Schedule 7A shows Medicaid patient days at 1.5 percent of total patient days and charity care represented as self pay.

- b. When there are competing applications within a sub-district, priority consideration shall be given to the applications, which meet the need for additional acute care beds in a particular service through the conversion of existing underutilized beds.**

None of the co-batched projects involve additional acute care beds through the conversion of existing underutilized beds.

4. Statutory Review Criteria

- a. Is need for the project evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? ss. 408.035(2), 408.035(7), Florida Statutes.**

Southern Baptist Hospital of Florida, Inc. (CON #9482): The proposed project will be accomplished through the relocation of 92 licensed acute care beds at Baptist Downtown to a new satellite facility in Subdistrict 3. The project will not increase the number of acute care beds in the subdistrict. The applicant states that three hospitals (Baptist, Memorial and St. Luke's) hold approximately 79 percent of the subdistrict's acute care beds and all three hospitals are located in the contiguous ZIP codes of 32207 and 32216 in the northeastern corner of the subdistrict. The remaining hospitals, in the subdistrict (Baptist Beaches and Flagler Hospital) are removed from this area and primarily provide health care for the residents in proximity to their facilities. The applicant contends that the current concentration of beds in the northeast section of the subdistrict no longer reflects the population distribution and growth.

It is the intent of the applicant to redistribute licensed beds to better match current and future population. The proposed project is intended to reduce the number of beds in the northeast quadrant and improve access to residents of the subdistrict near the Duval/St. Johns County border without adding new beds to the subdistrict.

The proposed hospital's primary service area is defined as that section of Subdistrict 3 that includes ZIP codes 32223, 32241, 32256, 32257, 32258, 32259 and 32260, none of which currently have a hospital. The service area population as defined by April 1, 2001 Claritas

CON Action Numbers: 9482-9485

Demographics presented by the applicant, shows a 44.5 percent increase from the 1990 census population with the total subdistrict increasing by 36 percent for the same time period. According to the applicant's projections, the subdistrict's population is expected to increase 9.3 percent from 2001 to 2006 while the PSA is expected to increase 12 percent for the same time period. The applicant reasonably demonstrated that total growth including an increasing aged population, supports the redistribution of beds to better meet this growth and thus, improve availability and minimally improve accessibility of services. There will be some reduction in travel times for area residents as a result of the proposed project. However, this would appear to be minimal, with an average travel reduction of two miles to the nearest hospital. The new hospital should however, reduce travel distance to a greater degree to the Baptist Downtown facility for PSA residents (6.5 miles on average). Although the new project will not impact the range of services provided at Baptist Downtown, it is expected to impact the delivery of those services. The transfer of beds and patient volume associated with this project will allow for the decompression of the currently land locked downtown campus by reducing the campus' space requirements and the number of patients, visitors and vehicles on the downtown campus. The applicant expects this to result in improved access for patients who continue to seek services at the downtown hospital.

The applicant reasonably demonstrated that the Baptist project will experience steady increases in utilization, primarily through a shift in patient volume from Baptist-Downtown as well as existing adult inpatient volumes originating from its proposed primary service area and should result in a more efficient delivery of patient services in the subdistrict. It is not clear that quality of care will improve as a result of this project. The project is expected to have a positive impact on competition, to promote quality assurance and cost-effectiveness that is not expected to negatively impact an existing Medicaid disproportionate share provider. The applicant is a Medicaid disproportionate share provider and this project is expected to have a positive impact on the main hospital.

St. Luke's Hospital Association (CON #9483) proposes to develop a 214-bed replacement hospital on the campus of Mayo Clinic Jacksonville, thus allowing Mayo to offer a full array of specialty and tertiary/quaternary services that have been developed over the past few years. In addition, via the companion project proposed by St. Vincent's, community services will continue to be offered at the Belfort Road campus. Thus, the applicant contends that taken together, these projects will ensure that access to and availability of comprehensive health care services will be maintained and enhanced in the southern

CON Action Numbers: 9482-9485

portions of Jacksonville and beyond. As previously stated, the development of both the St. Luke's and St. Vincent's projects are contingent upon both being approved. As noted above, this project will likely result in a reduction in the amount of care provided to the medically indigent by this provider. Medicaid accounted for approximately two percent of the patient days provided to neonates at St. Luke's hospital in CY 1999. The applicant is proposing to discontinue its obstetrics program and delicense its 10-bed Level II NICU. St. Vincent's has proposed to provide this service in CON #'s 9494 and 9481 and agreed to condition award of both CON upon providing care to the medically indigent. As noted in this review, St. Vincent's proposed that CON #9494 be conditioned upon the provision of 2.2 percent of the patient days in either the 170 or 135 acute beds to charity care. In CON #9481, St. Vincent's proposes to condition award of the CON upon providing a minimum of 1.9 percent of the total annual patient days in the 10-bed Level II NICU to charity care and 29.9 percent to Medicaid patients.

While the proposed project will involve no new beds or services, the applicant presents rationale for the project, including the recent intensification of services offered at the hospital in conjunction with the Mayo Clinic and the number and severity of patients treated by the hospital. The new facility will have a closed medical faculty and focus more on the specialized services to be provided. Although the current facility can accommodate these specialized services, the applicant contends that the recent CON approved heart, lung, kidney and pancreas programs will push St. Luke's Hospital to its full acute care capacity. The relationship between St. Luke's and Mayo Clinic has also resulted in a change in the geographic service area. Prior to the hospital's relationship with one another, St. Luke's was basically a local community provider with approximately two thirds of its patients originating from Jacksonville and Duval County. Since the linkage, the hospital's service area has grown to where only 40 percent of current patients originate from the local area. This trend will continue, with more than two thirds of Mayo's physician patients anticipated to originate from Outside Duval County by the time the new replacement facility is opened.

The applicant contends that the proposed project will allow it to resolve it's own problems while ensuring that community access is maintained in St. Luke's current local service area. The applicant provided a reasonable discussion of the capacity constraints that will be placed on the facility in the near future, with patient day demand exceeding the availability of beds.

CON Action Numbers: 9482-9485

With regard to efficiency, the applicant provided several targeted efficiency improvements including (1) improved patient convenience, (2) increased interaction with patients, (3) patient amenities; (4) expanded teaching and research capability; (5) increased physician productivity associated with the elimination of daily commutes between the two hospitals; and (6) increased administrative efficiencies.

As previously discussed, the applicant reasonably demonstrated the ability to support the replacement facility, without the benefit of admissions from community-based physicians, with volume growth anticipated from future increases in patient volume associated with program growth and the growth of recently approved CON services, and from the growth of patient volume from outside the area.

The proposed project is expected to improve efficiency within the health care delivery system and accessibility of acute care services to certain population groups. However, as previously discussed, it is not expected to improve accessibility to the medically indigent.

St. Vincent's Medical Center, Inc. (CON #9484) is seeking approval to occupy the physical plant at Belfort Road, currently the location of St. Luke's Hospital. As previously described, the main application is for 170 acute care beds, and the alternative partial award request is for 135 beds. In the main application, the hospital will be composed of 70 new acute care beds, and 65 acute care beds to be delicensed from St. Luke's proposed replacement facility. In the partial award request, the 135 beds are composed of the 65 acute care beds delicensed from St. Luke's Hospital and 70 new acute care beds. As noted earlier, the applicant will delicense beds at St. Vincent's Medical Center in another subdistrict if either project is approved.

The result of the downsizing and replacing of the existing St. Luke's Hospital will leave the property, plant and equipment at Belfort Road. St. Vincent's Medical Center has an opportunity to take immediate possession of the property, plant, and equipment that exists and maintain almost continuous hospital operations once the replacement hospital is licensed.

The applicant states that the supporting factors for the project include: (1) High utilization of existing medical and surgical beds in Health Planning District 4, Acute Care Subdistrict 3; (2) Population growth in Acute Care Subdistrict 3 and overall growth in the greater Jacksonville area and surrounding counties create demand for additional hospital services; (3) the continued need for and presence of a community hospital at Belfort Road; (4) cost-efficiency and effectiveness of utilizing

CON Action Numbers: 9482-9485

the existing Belfort Road campus to continue hospital operations; and (5) ability to expand within the physical plant, adding beds without cost.

This project will result in maintaining hospital services at the present Belfort Road campus, thus, meeting an apparent community need for a basic range of outpatient, primary and secondary services. The continuation of acute care services at the present site will enhance availability and access to these services in a reasonable and cost efficient manner. The community demand is expected to remain within the service area of the current St. Luke's Hospital, as 202 community physicians representing all specialties continue to serve patients in the surrounding medical office buildings and whose practices require hospital support.

In response to efficiency, the applicant discussed the acquisition costs associated with the project and the capital enhancements that will continue at the hospital. The applicant states that the cost of assuming an operational facility is substantially less than comparable data regarding new construction. Whereas the purchase price averages out to approximately \$538,231 dollars per bed, new construction for a recent hospital was \$707,000 per bed. The main application and the partial award request are for fewer beds than the building's potential as a 289-bed hospital. Therefore, when making comparisons on the basis of the cost per bed using either the 170 beds in the primary request or the 135 beds in the partial award can be misleading. The real worth of the building lies in the ability to expand the number of beds without additional cost, hence, the long-term appreciable value is for the building as a 289-bed hospital, rather than the basis of the number of beds sought in the application.

The applicant reasonably demonstrated that the project will enhance the availability, efficiency, and accessibility of health care services in the area. Further, as discussed above under CON #9483, this project and linked project, CON #9481 (10-bed Level II NICU project) will improve access to the medically needy in the subdistrict.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The applicant discussed the current market shares of the existing acute care provider hospitals in Subdistrict 3, of which St. Luke's is the closest hospital to Baptist Beaches at approximately 13 miles. The applicant contends that the concentration of beds in the northeast quadrant of the subdistrict (Baptist Downtown, Memorial and St. Luke's) no longer reflects the population distribution within the subdistrict. The applicant states that this maldistribution of beds is even more relevant when the population growth rates for the Baptist Beaches service area is compared

CON Action Numbers: 9482-9485

to the growth rates of the subdistrict. The population of the applicant's service area increased 84.1 percent during the period between the 1990 census and today's population.

For the same time period, the subdistrict population increased 36 percent. The applicant contends that this clearly indicates that the population increase within the primary service area has outpaced that of the subdistrict and is expected to continue to increase at a faster rate than the subdistrict population in general.

The applicant hospital's high utilization is also presented in support of the project. The hospital's overall annual occupancy has increased from 74.41 percent for calendar year 2000 to 77.97 percent for the July-June 2001 (preliminary) reporting period. In view of this increasing utilization of acute care beds, the applicant states that the hospital will not be able to maintain its current level of service to its primary service area residents without increasing its acute care capacity. However, the applicant states that it actually seeks to expand its obstetric market share and has based projections on that expanded market. Even with the hoped for expanded market, occupancy levels as far into the future as seven years are not expected to reach 75 percent. It is noted that hospitals may now increase acute care beds by 10 or 10 percent through a CON exemption review upon reaching an average occupancy rate of 80 percent over a 12-month period.

Need for this project is not evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the service area. Further, it was not demonstrated by the applicant that the proposed 25 additional beds will improve efficiency at Baptist-Beaches.

b. Does the applicant have a history of and demonstrated the ability to provide quality care? ss. 408.035(3), 408.035(12), Florida Statutes.

Southern Baptist Hospital of Florida, Inc. (CON #9482) reasonably demonstrates that it has a history of providing quality of care. The hospital, as well as the affiliated Wolfson Children's Hospital currently holds an Accreditation with Commendation from the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The applicant addressed the Baptist Hospital's various accreditations, awards and recognition and the quality and service improvement efforts by the hospital.

St. Luke's Hospital Association (CON #9483) also provided a reasonable discussion of its history of providing quality of care. The hospital is JCAHO accredited. In addition, the hospital's laboratory is accredited by several organizations and the hospital is also UNOS certified to provide a wide range of transplantation services. The applicant states that the same quality of care will be rendered at the new Mayo Clinic site location, with all existing operational protocols, guidelines, and quality management systems to be used in support of the proposed replacement facility.

St. Vincent's Medical Center, Inc. (CON #9484): The applicant reasonably demonstrated that it has a history of providing quality of care. St. Vincent's is a JCAHO accredited facility and has not had any COBRA violations or other violations with respect to the treatment of patients. The applicant provided a description of the hospital's Performance Improvement Plan that provides the overall guidance of the process and procedures that the staff of the hospital follow.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The applicant reasonably demonstrated that it has a history of providing quality of care. Baptist Beaches is JCAHO accredited, an indication that the hospital has achieved compliance with applicable JCAHO standards in all performance areas and also an indication of quality of care. The hospital's medical laboratory is also accredited as well as the hospital's cardiopulmonary laboratory.

The applicant states that as a member of the Baptist Health network that the hospital has access to the resources and knowledge of the larger system for its performance improvement programs. These programs were discussed in reasonable detail along with performance measurements and performance improvement strategies.

- c. Is the applicant proposing special health care services for its service area that are not reasonably and economically accessible in adjacent service areas? ss. 408.035(4), Florida Statutes.**

The proposal submitted by St. Luke's to relocate to a new site adjacent to the Mayo Clinic, appears to partially meet this criterion by offering an array of tertiary and quaternary services that are not accessible in adjacent service areas. However, the applicant is not proposing to make these services available to the total population and proposed care to the medically indigent population appears to be reduced. While St. Vincent's has agreed to condition two of its CONs being reviewed in this batch to provide care to medically indigent subdistrict residents, if all linked projects are approved, there is some concern regarding access to the

CON Action Numbers: 9482-9485

medically indigent needing tertiary services currently available at St. Luke's, which will not be available at St. Vincent's proposed facility. It may be that the Shands Jacksonville facility, a very high provider of care to the medically indigent population, will assume a larger responsibility for the provision of care for certain tertiary services to this population. In comparing hospitals in the state that provide a safety net to the medically indigent population, it is noted that the Shands Jacksonville facility is ranked fourth in the state, below Jackson Memorial in Miami, Tampa General and Broward General.

The other proposed projects do not appear to involve special health care services that are not reasonably or economically accessible in adjacent districts.

- d. Is the project to be located in a research or teaching hospital? Will the program affect the clinical needs of health professional training programs in the service area? ss. 408.035(5), Florida Statutes.**

None of the co-batched applicant hospitals are considered research or teaching facilities per statute.

It is noted that St. Luke's has the full support of the Mayo Foundation's (a nationally recognized teaching hospital) comprehensive medical education and medical research resources. According to the applicant, the hospital has an active ongoing residency and fellowship-training program, with over 220 individuals participating in ongoing Jacksonville-based residency or fellowship training programs. Specific to research activities, the applicant states that St. Luke's and Mayo Clinic are actively involved in a wide range of both clinical research and medical research.

- e. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.037(6), Florida Statutes.**

Southern Baptist Hospital of Florida, Inc. (CON 9482): The audited financial statements for the periods were reviewed to assess the financial position as of the balance sheet date and the financial strength of its operations for the period presented. Key financial account balances along with specific ratios are presented for this analysis.

CON Action Numbers: 9482-9485**FINANCIAL INDICATORS AND RATIOS**

	09/30/2000	09/30/1999
Current Assets	\$ 80,515,624	\$ 57,578,061
Cash and Current Investment	\$ 4,207,631	\$ 1,488,827
Assets Restricted for Capital Funding	\$ 0	\$ 0
Total Assets	\$ 444,281,378	\$ 452,869,569
Current Liabilities	\$ 42,276,970	\$ 32,333,884
Total Liabilities	\$ 285,670,381	\$ 316,433,821
Total Equity	\$ 158,610,997	\$ 136,435,748
Net Operating Revenues	\$ 279,868,665	\$ 257,967,585
Interest Expense	\$ 11,100,968	\$ 10,898,272
Net Profit - Operations	\$ 1,497,096	\$ (3,112,523)
Net Income	\$ 32,923,560	\$ 10,557,377
Cash Flow Provided by Operating Activities	\$ 44,484,751	\$ 37,310,345
Working Capital	\$ 38,238,654	\$ 25,244,177
Current Ratio (CA/CL)	1.9	1.8
Long-Term Debt to Equity (TL-CL/TE)	1.5	2.1
Operating Cash Flow (CFO/CL)	1.1	1.2
Equity to Total Assets (TE/TA)	35.7%	30.1%
Operating Margin (NPO/NOR)	0.5%	-1.2%
Total Margin (NI/NOR)	11.8%	4.1%
Return on Assets (NI/TA)	7.4%	2.3%
Operating Cash Flow to Assets (CFO/TA)	10.0%	8.2%

The applicant, Southern Baptist Hospital of Florida, Inc. (d/b/a Baptist Medical Center), is a not-for-profit health care provider that operates three hospitals, several outpatient clinics, and a home health agency in Northeast Florida. The applicant is requesting to construct a 125-bed acute care hospital in Southeastern Duval County, Florida. The initial cost of this project is expected to be \$84,442,000, with initial operating costs projected to be \$35,301,000 in the first year and \$41,084,000 in the second year.

Short-term position:

The applicant's current ratio of 1.9 indicates current assets are almost two times that of short-term liabilities, a moderately strong position. The working capital (current assets less current liabilities) of \$38.2 million indicates somewhat robust short-term liquidity. The applicant has a fairly strong short-term position.

Long-term position:

The long-term debt to equity ratio of 1.5 is less than the 70th percentile statewide. Long-term debt of \$234.0 million is significant. Net income totaled \$32.9 million in 2000 or 11.8 percent, which is significantly greater than the 50th percentile for Florida hospitals of 2.6 percent. Net assets total \$158.6 million. The long-term position is adequate.

Capital requirements:

Schedule 2 indicates capital projects total \$220.5 million. Maturities on long-term debt through 2005 total \$34.8 million. The total capital requirement is estimated at \$255.3 million.

Available capital:

The applicant has set aside \$155.1 million in Board designated assets for capital improvements, debt service and insurance reserves. However, since no specific amount is indicated for capital improvements, a determination of available capital from this source cannot be made. Operating cash flows totaled \$44.5 million in 2000. The applicant states that all funding for the project will come from operating cash flows.

Staffing:

In view of the fact that the project involves a shift of patient days from Baptist Downtown, it can be expected that a number of existing staff at the downtown facility will also be shifted to the new facility. The applicant expects that the new project will require 96.2 FTE employees in year one, increasing to 125.5 in year two. The combined staffing for both the downtown facility and the new satellite facility will exceed 3,200 employees.

The applicant states that internal databases show that 900 current staff members at Baptist Downtown live in the zip codes that surround the proposed new facility. It is the intent of the applicant to give these employees (including 323 registered nurses and 166 allied health professionals) first choice for positions at Baptist-South.

The applicant discussed a variety of incentives that the hospital has had to use to attract employees, including signing bonuses. The hospital now has a comprehensive program in place for the purpose of recruiting and retaining employees.

Conclusion:

Funding is likely to be available for this project as well as the entire capital budget.

St. Luke's Hospital Association, Inc. (CON 9483): The audited financial statements for the periods were reviewed to assess the financial position as of the balance sheet date and the financial strength of its operations for the period presented. Key financial account balances along with specific ratios are presented for this analysis.

CON Action Numbers: 9482-9485

FINANCIAL INDICATORS AND RATIOS

	09/30/2000	09/30/1999
Current Assets	\$ 42,838,000	\$ 36,700,000
Cash and Current Investment	\$ 5,000	\$ 4,000
Assets Restricted for Capital Funding	\$ 0	\$ 0
Total Assets	\$ 216,202,000	\$ 196,313,000
Current Liabilities	\$ 49,877,000	\$ 40,546,000
Total Liabilities	\$ 144,326,000	\$ 133,360,000
Total Equity	\$ 71,876,000	\$ 62,953,000
Net Operating Revenues	\$ 194,368,000	\$ 150,307,000
Interest Expense	\$ 5,339,000	\$ 5,025,000
Net Profit - Operations	\$ 1,039,000	\$ (5,009,000)
Net Income	\$ 6,822,000	\$ 1,127,000
Cash Flow Provided by Operating Activities	\$ 28,868,000	\$ 11,887,000
Working Capital	\$ (7,039,000)	\$ (3,846,000)
Current Ratio (CA/CL)	0.9	0.9
Long-Term Debt to Equity (TL-CL/TE)	1.3	1.5
Operating Cash Flow (CFO/CL)	0.6	0.3
Equity to Total Assets (TE/TA)	33.2%	32.1%
Operating Margin (NPO/NOR)	0.5%	-3.3%
Total Margin (NI/NOR)	3.5%	0.7%
Return on Assets (NI/TA)	3.2%	0.6%
Operating Cash Flow to Assets (CFO/TA)	13.4%	6.1%

The applicant, St. Luke's Hospital Association, Inc., is a non-profit healthcare facility that provides inpatient and ambulatory health care services primarily to the residents of Duval County, Florida and the surrounding counties in North Florida and South Georgia. The applicant is requesting to construct a 214-bed acute care hospital on the campus of the Mayo Clinic in Jacksonville, Florida. The initial cost of this project is expected to be \$207,000,000. Operating costs for the proposed replacement hospital are projected to be \$190,470,543 in the first year and \$202,024,987 in the second year.

Short-term position:

The applicant's current ratio of 0.9 indicates current assets are insufficient to cover short-term liabilities. This is a very weak position. The working capital (current assets less current liabilities) is a negative \$7.04 million in year 2000, which indicates no short-term liquidity. The applicant has a weak short-term position. The apparent weakness of the applicant's short-term position may be due to the parent company's cash management policies rather than actual financial limitation.

Long-term position:

The long-term debt to equity ratio of 1.3 is not completely illustrative of the applicant's debt structure. The long-term position is adequate.

Capital Requirements:

Schedule 2 indicates capital projects total 242.1 million. Maturities on long-term debt through 2005 total \$8.3 million. The total capital requirement is estimated at \$250.4 million.

Available capital:

The applicant states that it has \$64.9 million in board-designated assets for capital improvements. Another \$137 million is to be realized from the sale of the existing hospital property. Current fundraising for the project stands at approximately \$33 million and will be used to fund a portion of the new hospital. In addition, if necessary, the Mayo Foundation (the parent company) has the financial wherewithal to fund the entire project.

Staffing:

The applicant expects staffing levels at the new hospital to decrease in view of the proposed reduction in beds following the relocation of services from the St. Luke's campus to the Mayo Clinic campus. According to Schedule 6A, the total staffing will decrease from 2,242 to 1,699 in the first year of operation and then increase to 1,816 in year two.

Conclusion:

With the participation of the parent, funding is likely to be available for this project as well as the entire capital budget.

St. Vincent's Medical Center, Inc. (CON 9484): The audited financial statements for the periods were reviewed to assess the financial position as of the balance sheet date and the financial strength of its operations for the period presented. Key financial account balances along with specific ratios are presented for this analysis.

CON Action Numbers: 9482-9485

FINANCIAL INDICATORS AND RATIOS

	09/30/2000	09/30/1999
Current Assets	\$ 74,088,147	\$ 64,724,378
Cash and Current Investment	\$ 15,623,223	\$ 9,653
Assets Restricted for Capital Funding	\$ 134,927,506	\$ 103,180,279
Total Assets	\$ 350,304,583	\$ 370,848,798
Current Liabilities	\$ 48,039,827	\$ 32,351,439
Total Liabilities	\$ 185,664,954	\$ 198,399,361
Total Equity	\$ 164,639,629	\$ 172,449,437
Net Operating Revenues	\$ 268,934,709	\$ 254,576,321
Interest Expense	\$ 8,295,385	\$ 5,824,973
Net Profit - Operations	\$ 3,528,953	\$ 11,128,906
Net Income	\$ 13,409,664	\$ 18,224,582
Cash Flow Provided by Operating Activities	\$ 50,277,530	\$ 9,739,692
Working Capital	\$ 26,048,320	\$ 32,372,939
Current Ratio (CA/CL)	1.5	2.0
Long-Term Debt to Equity (TL-CL/TE)	0.8	1.0
Operating Cash Flow (CFO/CL)	1.0	0.3
Equity to Total Assets (TE/TA)	47.0%	46.5%
Operating Margin (NPO/NOR)	1.3%	4.4%
Total Margin (NI/NOR)	5.0%	7.2%
Return on Assets (NI/TA)	3.8%	4.9%
Operating Cash Flow to Assets (CFO/TA)	14.4%	2.6%

The applicant, St. Vincent's Medical Center, Inc., is a non-profit healthcare provider that operates the medical center, a nursing home, several outpatient clinics, and a home health agency in Duval County, Florida and the surrounding counties in North Florida and South Georgia. The applicant is requesting to establish a 170-bed acute care hospital in the facility currently occupied by St. Luke's Hospital in Jacksonville, Florida. The initial cost of this project is expected to be \$155,548,805, with initial operating costs projected to be \$107,149,709 in the first year and \$110,690,678 in the second year.

The applicant also submitted a proposal for a partial award of 135 beds. Since the project costs, initial operating costs, revenues and patient day projections are the same for both the full and partial projects; the conclusions in the analysis will apply equally to both the full and partial requests.

Short-term position:

The applicant's current ratio of 1.5 indicates current assets are one and a half times that of short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of \$26.0 million indicates materially positive short-term liquidity. The applicant has an adequate short-term position.

Long-term position:

The long-term debt to equity ratio of 0.8 is slightly greater than the 50th percentile statewide of 0.5. The long-term debt of \$137.5 is significant but not excessive. Net income (total margin) amounted to \$13.4 million in 2000 or 5.0 percent, which is slightly more than the statewide 50th percentile of 3.8 percent. Net assets (equity) totaled \$267.6 million. The long-term position is good.

Capital requirements:

Schedule 2 indicates capital projects total \$311.3 million. Maturities on long-term debt through 2005 total \$6.0 million. The total capital requirement is estimated at \$317.3 million.

Available capital:

The applicant states that they have \$26.0 million in working capital (see table one) and will provide an additional \$30.0 million from ongoing operations. The financial statements indicate that the applicant has \$134.9 million in board-designated investments, but are silent as to the board-designated purpose of those investments. Another \$125.5 million is being sought through related party financing. A letter from Ascension Health (the parent company) indicates that they will assist in the provision of financing for the remaining capital budget.

Staffing:

According to Schedule 6, the establishment of the proposed satellite hospital will require 900.1 FTE staff upon opening, increasing by 7.4 FTE's in year two.

The applicant provided a listing of numerous recruitment/retention efforts that are made, including sign-on bonuses and traditional methods of recruitment. With regard to nursing, the applicant states that it is the only hospital in Jacksonville providing nursing internship opportunities. Internships are available in critical care, telemetry, surgical, etc. and carry a one year work agreement.

Conclusion:

With the participation of the parent company, funding is likely to be available for this project as well as the entire capital budget.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The audited financial statements for the periods were reviewed to assess the financial position as of the balance sheet date and the financial strength of its operations for the period presented. Key financial account balances along with specific ratios are presented for this analysis.

CON Action Numbers: 9482-9485**FINANCIAL INDICATORS AND RATIOS**

	09/30/20000	09/30/1999 9
Current Assets	\$ 17,058,113	\$ 13,682,656
Cash and Current Investment	\$ 1,000	\$ 1,000
Assets Restricted for Capital Funding	\$ 10,970,398	\$ 9,956,535
Total Assets	\$ 43,738,838	\$ 53,905,545
Current Liabilities	\$ 7,787,853	\$ 5,313,788
Total Liabilities	\$ 20,820,153	\$ 34,235,815
Total Equity	\$ 22,918,685	\$ 19,669,730
Net Operating Revenues	\$ 47,323,975	\$ 47,876,315
Interest Expense	\$ 1,240,560	\$ 946,792
Net Profit - Operations	\$ 25,290	\$ 1,940,218
Net Income	\$ 2,244,927	\$ 2,681,474
Cash Flow Provided by Operating Activities	\$ 3,633,444	\$ 2,868,362
Working Capital	\$ 9,270,260	\$ 8,368,868
Current Ratio (CA/CL)	2.2	2.6
Long-Term Debt to Equity (TL-CL/TE)	0.6	1.5
Operating Cash Flow (CFO/CL)	0.5	0.5
Equity to Total Assets (TE/TA)	52.4%	36.5%
Operating Margin (NPO/NOR)	0.1%	4.1%
Total Margin (NI/NOR)	4.7%	5.6%
Return on Assets (NI/TA)	5.1%	5.0%
Operating Cash Flow to Assets (CFO/TA)	8.3%	5.3%

The applicant, Baptist Medical Center of the Beaches, Inc., is a not-for-profit health care provider that operates the 90 bed hospital in Jacksonville Beach, Florida. The applicant is requesting to add 25 acute care beds to its existing 90 licensed beds at the medical center in Duval County, Florida. Baptist Medical Center of the Beaches, Inc. is controlled affiliate of Baptist Health Systems. The initial cost of this project is expected to be \$5,639,650, with incremental operating costs projected to be \$1,028,148 in the first year and \$1,959,173 in the second year.

Short-term position:

The applicant's current ratio of 2.2 indicates current assets are slightly over two times that of short-term liabilities, a strong position. The working capital (current assets less current liabilities) of \$9.3 million indicates a relatively robust, for this size entity, short-term liquidity. The applicant has a fairly strong short-term position.

Long-term position:

The long-term debt to equity ratio of 0.6 is slightly above the 50th percentile statewide. Long-term debt of \$15.7 million was defeased during FY 1999 and consequently has been removed from the financial statements. A note for \$13.0 million is payable to an affiliated organization, but the overall equity position is good. Net income totaled \$2.2 million in 2000 or 4.7 percent, which is above the 50th percentile for Florida hospitals of 3.8 percent. Net assets total \$22.9 million. The long-term position is good.

Capital requirements:

Schedule 2 indicates capital projects total \$24.1 million. Due to the defeasance of the hospital's long-term obligations, there are no maturities of long-term debt.

Available capital:

The applicant has set aside \$11.0 million in Board designated assets for capital improvements and debt service. However, since no specific amount is indicated for capital improvements, a determination of available capital from this source cannot be made. The applicant has stated that total funding of the capital budget will come from either cash on hand or cash from operations. Operating cash flows totaled \$3.6 million in 2000.

Staffing:

According to Schedule 6, the applicant anticipates adding 10.3 FTE staff in the first year of operation, increasing to a total of 14.4 new FTE in year two as a result of adding the proposed 25 beds. The proposed addition will increase total hospital staffing to 502 FTE in year one and 506 in year two. The applicant does not anticipate any new ancillary department staffing, with the increase coming in core staffing (RNs, LPNs, aides and housekeepers).

The applicant indicates that the hospital has several programs in place to facilitate staff recruitment regionally and beyond, and to increase the supply of health care personnel.

Conclusion:

Funding is likely to be available for this project as well as the entire capital budget.

f. What is the immediate and long term financial feasibility of the proposal? ss. 408.037(8), Florida Statutes.

A comparison of the co-batched applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Comparative data were derived from hospitals in peer groups that reported data in 1999. Based on the number of beds, the range of services offered, and the projected number of admissions and patient days; the co-batched applicants will be compared to the hospitals in-group. Both Baptist Beaches (9485) and Baptist Downtown (9482) will be compared to the hospitals in group 2. St. Luke's (9483) will be reviewed in comparison to group 6 while St. Vincent's (9484) will be reviewed in comparison to hospitals in group 4. Per Diem rates are projected to increase by an average of 3.5 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

CON Action Numbers: 9482-9485

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor out the outpatient revenues in the per patient day computation.

Southern Baptist Hospital of Florida, Inc. (CON 9482): Net revenue per adjusted patient day (NRAPD) of \$1,497 in year one and \$1,519 in year two is between the control group median and highest values of \$1,267 and \$1,937 in year one and \$1,301 and \$1,990 in year two. The median is generally viewed as the best balance between financial feasibility and economies of operation. With net revenues per adjusted patient day falling between the median and the highest level, the hospital is expected to consume health care resources in a somewhat greater proportion to the services provided.

Projected cost per adjusted patient day of \$1,448 in year one and \$1,455 in year two is also between the group median and highest values of \$1,184 and \$1,514 in year one and \$1,217 and \$1,555 in year two. This applicant is considered cost efficient when compared to the control group.

The year two operating profit for the hospital is estimated at \$1,791,000 which computes to an operating margin per adjusted patient day of \$63. This falls between the peer group median and highest values of \$30 and \$462. The operating margin computes to 4.2 percent, which is above the 50th percentile for Florida hospitals of 2.6. Contingent on the continued profitability of the applicant, the project is economically feasible.

St. Luke's Hospital Association, Inc. (CON 9483): Net revenue per adjusted patient day (NRAPD) of \$3,119 in year one and \$3,191 in year two is between the control group median and highest values of \$2,089 and \$3,132 in year one and \$2,144 and \$3,215 in year two. The median is generally viewed as the best balance between financial feasibility and economies of operation. With net revenues per adjusted patient day falling between the median and the highest level, the hospital is expected to consume health care resources in relative proportion to the services provided. (See Comparison Table).

CON Action Numbers: 9482-9485

Projected cost per adjusted patient day of \$2,921 in year one and \$2,876 in year two are also between group median and the highest values of \$1,840 and \$3,253 in year one and \$1,888 and \$3,339 in year two. This applicant is considered to be cost efficient when compared to the control group. (See Comparison Table).

The year two operating profit for the hospital is estimated at \$22,187,012 which computes to an operating margin per adjusted patient day of \$316. This falls between the peer group highest value and the median of \$488 and \$103. The operating margin computes to 9.9 percent, which is between the 50th and 80th percentiles for Florida hospitals. The project is economically feasible.

The revenues and costs of this project are somewhat incompatible with other hospitals in the group and in the local service area (District 4) because of the environment that the Mayo Clinic operates in. Generally, patients seen by Mayo Clinic physicians are very complex requiring a depth of care over and above that of more routine cases. The higher revenues and costs of this project in this application are reflecting that complexity.

This is illustrated by the applicant's projection of a case mix of 1.9000. St. Luke's Hospital reported a 1.7120 case mix in 1999, and given the already escalating intensity of the hospital's cases, the 1.9000 projection appears to be reasonable. In the five intervening years, the intensity produced by the Mayo Clinical research practice patterns should inflate the case mix score even more.

CON Action Numbers: 9482-9485

COMPARISON TABLE

PEER GROUP 2	2007 YEAR 2 ACTIVITY	YEAR 2 ACTIVITY PER DAY	INFLATION ADJ. VALUES		
			Highest	Median	Lowest
ROUTINE SERVICES	10,807,000	383	754	464	305
INPATIENT AMBULATORY	0	0	115	40	21
INPATIENT SURGERY	10,534,000	373	0	0	0
INPATIENT ANCILLARY SERVICES	47,791,000	1,693	2,717	1,799	980
OUTPATIENT SERVICES	50,926,000	1,804	2,458	1,282	706
TOTAL PATIENT SERVICES REV.	120,058,000	4,253	6,044	3,585	2,012
OTHER OPERATING REVENUE	90,000	3	44	7	1
TOTAL REVENUE	120,148,000	4,256	5,575	3,572	2,107
DEDUCTIONS FROM REVENUE	77,273,000	2,737	*	*	*
NET REVENUES	42,875,000	1,519	1,990	1,301	804
EXPENSES					
ROUTINE	4,965,000	176	309	189	145
ANCILLARY	15,211,000	539	556	418	242
AMBULATORY	3,049,000	108	0	0	0
TOTAL PATIENT CARE COST	23,225,000	823	865	607	387
ADMINISTRATIVE & OVERHEAD	12,148,000	633	791	576	410
PROPERTY	5,711,000	*	*	*	*
TOTAL HOSPITAL EXPENSE	41,084,000	1,455	1,555	1,217	1,001
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSE	41,084,000	1,455	1,555	1,217	1,001
OPERATING INCOME (MARGIN)	1,791,000	63	462	30	-211
PERCENT OPERATING MARGIN	4.2%				
			PERCENTAGES NOT INFLATION ADJUSTED		
PATIENT DAYS	16,242				
ADJUSTED PATIENT DAYS	28,228				
TOTAL BED DAYS AVAILABLE	33,580				
ADJ. FACTOR	0.5754				
TOTAL NUMBER OF BEDS	92				
PERCENT OCCUPANCY	48.4%		80.6%	59.4%	27.2%
<u>PAYER CLASS</u>					
SELF-PAY	328	2.0%	2.5%	1.4%	0.2%
MEDICAID	479	2.9%	18.8%	8.3%	2.0%
MEDICAID HMO	153	0.9%			
MEDICARE	3,971	24.4%	77.0%	59.5%	39.2%
MEDICARE HMO	1,122	6.9%			
INSURANCE	307	1.9%			
HMO/PPO	9,592	59.1%	45.0%	20.0%	8.0%
TOTAL	16,242	100.0%			

CON Action Numbers: 9482-9485

St. Vincent's Medical Center, Inc. (CON 9484): Net revenue per adjusted patient day (NRAPD) of \$1,483 in year one and \$1,529 in year two is between the control group median and highest values of \$1,347 and \$1,729 in year one and \$1,382 and \$1,775 in year two. The median is generally viewed as the best balance between financial feasibility and economies of operation.

With net revenues per adjusted patient day falling between the median and the highest level, the hospital is expected to consume health care resources in slightly greater proportion to the services provided.

Projected cost per adjusted patient day of \$1,475 in year one and \$1,484 in year two is between the group median and highest values of \$1,314 and \$1,645 in year one and \$1,349 and \$1,688 in year two. This applicant is considered cost efficient when compared to the control group.

The year two operating profit for the hospital is estimated at \$3,365,679 which computes to an operating margin per adjusted patient day of \$45. This falls between the peer group median and highest values of \$36 and \$312. The operating margin computes to 2.95 percent, which is slightly above the 50th percentile for Florida hospitals. The project is economically feasible.

CON Action Numbers: 9482-9485

COMPARISON TABLE

PEER GROUP 6

	2007	YEAR 2	INFLATION ADJ. VALUES		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	72,398,170	1,030	1,100	800	442
INPATIENT AMBULATORY	0	0	102	52	25
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	369,787,576	5,263	5,279	3,903	2,548
OUTPATIENT SERVICES	114,723,254	1,633	2,351	1,626	1,098
TOTAL PATIENT SERVICES REV.	556,909,000	7,927	8,832	6,381	4,113
OTHER OPERATING REVENUE	11,267,000	160	68	13	1
TOTAL REVENUE	568,176,000	8,087	7,983	6,685	4,681
DEDUCTIONS FROM REVENUE	343,964,000	4,896	*	*	*
NET REVENUES	224,212,000	3,191	3,215	2,144	1,570
EXPENSES					
ROUTINE	63,845,882	909	519	296	253
ANCILLIARY	53,013,662	755	1,286	773	526
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	116,859,544	1,663	1,805	1,069	779
ADMINISTRATIVE & OVERHEAD	68,863,464	1,212	1,490	752	586
PROPERTY	16,301,980	*	*	*	*
TOTAL HOSPITAL EXPENSE	202,024,988	2,876	3,339	1,888	1,584
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSE	202,024,988	2,876	3,339	1,888	1,584
OPERATING INCOME (MARGIN)	22,187,012	316	488	103	-159
PERCENT OPERATING MARGIN	9.90%				
			PERCENTAGES NOT INFLATION ADJUSTED		
PATIENT DAYS	54,678				
ADJUSTED PATIENT DAYS	70,257				
TOTAL BED DAYS AVAILABLE	78,110				
ADJ. FACTOR	0.7783				
TOTAL NUMBER OF BEDS	214				
PERCENT OCCUPANCY	70.0%		83.7%	48.1%	34.0%
PAYER CLASS					
	PATIENT	PERCENT			
	DAYS	OF			
		TOTAL			
SELF-PAY	1,094	2.0%	7.7%	0.8%	0.0%
MEDICAID	1,094	2.0%	13.9%	4.2%	1.1%
MEDICAID HMO	0	0.0%			
MEDICARE	31,166	57.0%	73.3%	50.4%	23.8%
MEDICARE HMO	0	0.0%			
INSURANCE	4,921	9.0%			
HMO/PPO	11,482	21.0%	49.0%	33.5%	5.4%
TOTAL	54,678	100.0%			

CON Action Numbers: 9482-9485

Baptist Medical Center of the Beaches, Inc. (CON 9485): Net revenue per adjusted patient day (NRAPD) of \$1,217 in year one and \$1,273 in year two is between the control group median and highest values of \$1,201 and \$1,837 in year one and \$1,234 and \$1,887 in year two. The median is generally viewed as the best balance between financial feasibility and economies of operation. With net revenues per adjusted patient day falling between the median and the highest level, the hospital is expected to consume health care resources in a slightly greater proportion to the services provided. (See Comparison Table).

Projected cost per adjusted patient day of \$1,168 in year one and \$1,213 in year two he group median and highest values of \$1,123 and \$1,436 in year one and \$1,153 and \$1,475 in year two. This applicant is considered cost-efficient when compared to the control group. (See Comparison Table).

The year two operating profit for the hospital is estimated at \$3.3 million, which computes to an operating margin per adjusted patient day of \$60. This falls between the peer group median and highest values of \$30 and \$462. The operating margin computes to 4.7 percent, which is slightly greater than the 50th percentile for Florida hospitals of 2.6 percent. The project is feasible.

CON Action Numbers: 9482-9485

COMPARISON TABLE

PEER GROUP 2	2005		INFLATION ADJ. VALUES		
	YEAR 2 ACTIVITY	YEAR 2 ACTIVITY PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	14,423,581	266	715	440	289
INPATIENT AMBULATORY	1,946,256	36	109	38	20
INPATIENT SURGERY	14,423,882	266	0	0	0
INPATIENT ANCILLARY SERVICES	68,977,376	1,273	2,576	1,706	929
OUTPATIENT SERVICES	96,181,656	1,775	2,331	1,215	669
TOTAL PATIENT SERVICES REV.	195,952,751	3,616	5,731	3,399	1,907
OTHER OPERATING REVENUE	295,114	5	42	7	1
TOTAL REVENUE	196,247,865	3,622	5,286	3,387	1,998
DEDUCTIONS FROM REVENUE	127,277,393	2,349	*	*	*
NET REVENUES	68,970,472	1,273	1,887	1,234	762
EXPENSES					
ROUTINE	20,249,671	374	293	179	137
ANCILLARY	16,262,629	300	527	396	229
AMBULATORY	2,559,678	47	0	0	0
TOTAL PATIENT CARE COST	39,071,978	721	820	575	366
ADMINISTRATIVE & OVERHEAD	17,880,782	330	750	546	389
PROPERTY	8,754,953	162	*	*	*
TOTAL HOSPITAL EXPENSE	65,707,713	1,213	1,475	1,153	949
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSE	65,707,713	1,213	1,475	1,153	949
OPERATING INCOME (MARGIN)	3,262,759	60	462	30	-211
PERCENT OPERATING MARGIN	4.7%				
			PERCENTAGES NOT INFLATION ADJUSTED		
PATIENT DAYS	27,547				
ADJUSTED PATIENT DAYS	54,184				
TOTAL BED DAYS AVAILABLE	41,975				
ADJ. FACTOR	0.5084				
TOTAL NUMBER OF BEDS	115				
PERCENT OCCUPANCY	65.6%		80.6%	59.4%	27.2%
<u>PAYER CLASS</u>					
SELF-PAY	1,691	6.1%	2.5%	1.4%	0.2%
MEDICAID	417	1.5%	8.3%		
MEDICAID HMO	394	1.4%	18.8%		2.0%
MEDICARE	8,896	32.3%	59.0%	5%	39.2%
MEDICARE HMO	2,111	7.7%			
INSURANCE	488	1.8%			
HMO/PPO	12,226	44.4%	20.0%		
TOTAL	27,547	100.0%	45.0%	0%	8.0%

- g. **Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(9), Florida Statutes.**

Southern Baptist Hospital of Florida, Inc. (CON 9482): Managed care patient days, including Medicare and Medicaid managed care days, are estimated at 66.9 percent of total patient days. The control group highest value, which is Baptist Hospital of the Beaches, is only 45.0 percent. This projection of managed care days may be somewhat optimistic; however if achieved, this level of managed care is likely to have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

St. Luke's Hospital Association, Inc. (CON 9483): Managed care patient days are estimated at 21.0 percent of total patient days. The control group highest value is 49.0 percent. In their 1999 actual report, the applicant at its current location reported 8,023 managed care days or 15.3 percent of total patient days. The projection in excess of 15.3 percent managed care days seems to be somewhat optimistic, given the closed practice model that the new hospital will be operating under. Since a majority of patients will most likely come from outside the local service area, this level of managed care is likely to have only a marginal positive impact on competition, to promote quality assurance and cost-effectiveness.

Given the financial resources of the parent and the cash generated from the sale of the existing hospital, the project is financially feasible. The new hospital should generate little or no additional competition for hospitals in the local service area (District 4/Subdistrict 3) due to the closed practice model that the Mayo Clinic physicians operate under.

St. Vincent's Medical Center, Inc. (CON 9484): Managed care patient days are estimated at 40.4 percent of total patient days. The control group highest value is 61.5 percent. In their 1999 actual report, St. Luke's Hospital showed 15.3 percent of patient days as managed care days. Given the lower level of services offered by St. Vincent's, the managed care days projection may be slightly optimistic. If achieved, this level of managed care would likely have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

CON Action Numbers: 9482-9485

Baptist Medical Center of the Beaches, Inc. (CON #9485): Managed care patient days, including Medicare and Medicaid managed care days, are estimated to be 53.6 percent of total patient days. The control group highest value, which is the applicant, is only 45.0 percent. This projection of managed care days may be overly optimistic, given the addition of only 25 beds. However, if this level of managed care is achieved it is likely to have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

- h. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035(10), Florida Statutes; Ch. 59A-3 or 59A-4, Florida Administrative Code.**

Southern Baptist Hospital of Florida, Inc (CON #9482): The proposal is to establish a new 92-bed acute care hospital via the relocation of beds from Baptist Medical Center. The proposed complement will be a combination of adult medical/surgical and obstetric beds. All patient rooms will be private with private toilets and bathing facilities. The new facility will be a satellite hospital and will be called Baptist Medical Center South.

The application included a site plan and plans of each of the floors and the roof. Large scale plans of a typical patient room are also included and appear to meet all requirements.

The site selected is 32 acres, and in addition to the hospital, will have a 5,000 square foot central energy/power plant and an 80,000 square foot office building. The proposed hospital will be four stories and have 232,616 gross square feet. There is no apparent information regarding the elevation of the site relative to the flood plain and hurricane storm surge. It would be advantageous to have this information since the site is located between the St. Johns River and the Atlantic Ocean. There is a proposed helistop on site.

Although the site is large, the submitted plan shows parking on one side of the hospital and the office building on the other. This would preclude any hospital expansion on the ground floor unless there are some changes made in the parking layout. However, expansion may not be an issue due to the number of facilities that Baptist has in the area. Based on the site location and adjacent parcels, it would appear that the area has been developed and that most of the infrastructure is probably in place at least up to the site. There is considerable major road work being done in the area and this is mentioned several times in the application.

CON Action Numbers: 9482-9485

There are comprehensive lists of staffing requirements, functional spaces and square footages that will be part of the project. The schematic plans submitted were done by an architectural firm that has extensive healthcare experience and it is evident that the applicant has worked out a detailed program of spaces and needs with the designer. The plans were developed in conjunction with a leading design/build firm, so because of this background of experience, there is a high probability that the costs and information in the application are in line with current construction trends.

Schedule 10 indicates that the architect/engineer contracts are expected to be signed January 2002 and the projected completion date of the project is September 2004. The construction schedule appears to be relatively reasonable for a new facility of this size, especially if the design and construction team that will be under contract has considerable healthcare experience.

Overall the project is basic and straightforward and the layout is done quite well. The patient rooms are efficient and functional and have good spatial relationships to the ancillary spaces. Orientation of the different functions in the patient rooms is carefully thought out with the needs of the patient, family and staff in mind.

The applicant provided a list of the most common applicable codes and reference is made to the new Florida Building Code which will be in effect by the time this project is ready for design, review and construction.

St. Luke's Hospital Association (CON #9483): The proposal is to replace the existing St. Luke's Hospital on Belfort Road with a new 214-bed facility on the campus of the Mayo Clinic in Jacksonville. The new facility will have 582,000 new gross square feet. This application is "related and contingent" upon CON #9484 in which it is proposed that St. Vincent's Hospital purchase the existing St. Luke's facility.

There is extensive information relating to the transferal of beds in the application, but the only architectural issue for CON #9583 is the proposed new hospital building and its internal and external spatial relationships.

Although the existing site is large, the site plan indicates that there would be minimal land available for any future expansion horizontally. However, future expansion may not be an issue for the applicant. Since the site is existing and occupied, it can be assumed that the necessary infrastructure is in place and adequate for the new building or will be upgraded as necessary for the new structure.

CON Action Numbers: 9482-9485

The application includes a site plan and floor plans of each floor and the roof. Large scale plans of typical patient rooms are also presented and these spaces meet or exceed all requirements. There will be a mix of private and semi-private patient rooms with the majority being private.

In addition to the new construction, there are 34,541 GSF of renovation in the existing Mayo Clinic building, mostly on the second floor. Some renovation is also projected on the first floor to facilitate the joining of the proposed new building to the existing. It is the understanding in Plans and Construction that the existing Mayo Building will be changed from an ambulatory surgical center to a hospital with the introduction of the new St. Luke's facility on site.

There are comprehensive lists of staffing requirements and functional spaces that will be part of the project. The schematic plans submitted were done by an architectural firm that has extensive healthcare experience and it is evident that the applicant has worked out a detailed program of spaces and needs with the designer. Costs information in the application appears to be in line with current construction.

Schedule 10 indicates that the architect/engineer contracts are expected to be signed by February 2002 and the projected completion date of the project is July, 2005. The construction schedule is reasonable for a new facility of this size and scope.

Overall the project is basic and straightforward and the layout is done quite well. The patient rooms are efficient and functional and have good relationships to the ancillary spaces. Orientation of the different function functional areas within the patient rooms is carefully thought out with the needs of the patient, family and staff in mind.

The applicant provided a list of the most common applicable codes and reference is made to the new Florida Building Code, which will be in effect by the time this project is ready for design, review and construction.

St. Vincent's Medical Center, Inc/CON #9484:The proposal is for St. Vincent's to purchase the existing St. Luke's Hospital on Belfort Road in Jacksonville and establish a new hospital. This application is "related and contingent" upon CON #9483 in which it is proposed that St. Luke's relocate and replace the facility under consideration in this application. The total size of the facility is 441,632 net square feet.

CON Action Numbers: 9482-9485

The application included a site plan and floor plans. Large scale plans of a typical patient rooms are also included and they appear to meet square footage requirements.

The plans submitted indicate the functional spaces that exist and will remain under new ownership. The cost information presented in the application is not particularly significant architecturally since it reflects the purchase of existing space rather than new construction or renovation.

Schedule 10 indicates that there will be no architect/engineer contracts since this is an existing hospital. The projected date of initiation of service is September, 2005. The schedule appears to be reasonably based on the scope of the effort.

Overall the existing building is basic and straightforward and the layout is functional. The patient rooms are sufficient and have relatively good relationships to the ancillary spaces.

Baptist Medical Center of the Beaches, Inc. (CON #9485): The proposal is to add a wing to the existing hospital with 25 new acute care beds. The proposed beds will be a combination of 12 critical care beds and 13 medical/surgical beds. All patient rooms will be private with private toilets and bathing facilities.

The application includes a site plan and plans of both floors. A large scale plan of a typical patient room is attached and these rooms meet or exceed all spatial requirements.

The proposed addition will be two stories, with the ground floor initially being used for covered parking. The addition will have 17,600 gross square feet and there will be 2,000 square feet of the existing building to be renovated to tie the new building to the existing hospital. The addition is to be fully sprinklered and is being designed for future floors. The structure is steel with composite floor slabs and a synthetic stucco facade. There is a recently upgraded existing power plant that should be adequate for the additional load.

There is no apparent information regarding the elevation of the site relative to the flood plain and hurricane storm surge. It would be advantageous to have this information because of the location of the site relative to the Atlantic Ocean.

CON Action Numbers: 9482-9485

There are comprehensive written and graphic descriptions of staffing requirements and functional spaces that will be part of the project. The schematic plans submitted were done by an architectural firm that has extensive healthcare experience and it is evident that the applicant has worked out a detailed program of spaces and needs with the designer.

Schedule 10 indicates that the architect/engineer contracts are expected to be signed by December 2001 and the projected completion date of the project is October 2003. The construction schedule appears to be realistic for an addition of this size.

Overall the project is straightforward and the layout is fairly typical and well thought out. The patient rooms are spacious, efficient and functional and have good relationships with the ancillary spaces. All support functions appear to have been provided and are well located relative to the patient rooms. Orientation of the functions in the patient rooms is carefully thought out with the needs of the patient, family and staff in mind. There are provisions for "rooming in" by relatives in each room.

A list of most common applicable codes is included in the narrative and reference is made to the new Florida Building Code, which will be in effect by the time this project is ready for design, review and construction.

- i. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(11), Florida Statutes.**

The following table provides the Medicaid/charity care percentages for each of the applicant hospitals in District 4/Subdistrict 3.

Medicaid/Charity Care Percentages Subdistrict Comparisons

Hospital	% Medicaid Days	% Gross Charity
Baptist Hospital (CON #9482)	10.6%	0.8%
St. Luke's (CON #9483)	1.1%	0.5%
St. Vincent's Med. Ctr. (CON #9484)	3.9%	1.3%
Baptist-Beaches (CON #9485)	2.2%	1.9%
Memorial Hospital Jacksonville	5.4%	1.2%
Flagler Hospital	5.9%	2.5%
Total Subdistrict	4.8%	1.1%
Total District	8.5%	3.6%

Source: AHCA Hospital Financial Data 1999

Note: St. Vincent's Med. Ctr. is located in Subdistrict 2 and not included in Subdistrict total above.

CON Action Numbers: 9482-9485

Of the hospital's listed above, Baptist Hospital, St. Vincent's, and Flagler Hospital are designated Medicaid Disproportionate Share providers. Baptist Hospital provided the most Medicaid care when compared to both the district and subdistrict providers and St. Luke's provided the least. None of the subdistrict hospital's charity care exceeded the district level of charity care. Flagler provided the highest level of charity care among the subdistrict providers and again, St. Luke's provided the lowest.

Southern Baptist Hospital of Florida, Inc. (CON #9482): The applicant asserts a history of providing Medicaid and charity care and a commitment to continue doing so in the future. The downtown hospital is a state designated Medicaid disproportionate share provider, an indication that care provided to Medicaid and charity care patients is above the proportion of Medicaid provided by most hospitals in District 4. The applicant projects a facility wide payer mix (includes both Baptist Downtown and Baptist South) that includes 12.4 percent Medicaid patient days . Charity care is expressed as a percentage of self pay. (Refer to earlier, more comprehensive, discussion under Agency Rule Criteria above.)

St. Luke's Hospital Association (CON #9483): The applicant states its commitment of providing care to all patients in need, including Medicaid patients and medically indigent patients. During 2000, the applicant states that it provided 1.6 percent of its patient care services to Medicaid patients plus an additional \$2.0 million of care to medically indigent patients. According to the applicant's financial projections (Schedule 7A), the hospital projects to provide two percent of total patient days to Medicaid patients at the new location by 2006. The applicant does not request that the project be conditioned for a certain amount of Medicaid and charity care services.

CON Action Numbers: 9482-9485

St. Vincent's Medical Center, Inc. (CON #9484): The applicant states its commitment of providing care to all patients. The applicant presented a table showing the hospital's historical provision of services to the medically indigent for the past several years. In the applicant's presentation, charity care is grouped in with self pay, which is somewhat misleading. However, for this combined payor grouping, the hospital's percentage of patient days has increased from three percent in 1998 to 4.3 percent for the fiscal year to date. As a percentage of net patient service revenues, this proportion has grown from 4.4 percent in 1998 to 6.7 percent. The applicant is requesting that the proposal be conditioned for the provision of 2.2 percent of patient days allocated for charity care.

Baptist Medical Center of the Beaches, Inc. (CON #9485): According to the FY1999 Hospital Financial Data Guide, Baptist-Beaches provided 2.2 percent of total patient days to Medicaid patients and 1.9 percent for charity care patients. According to Schedule 7A, the applicant anticipates that Medicaid patient days will represent 1.5 percent of total patient days in each of the first two years of operation following addition of the 25 beds. Charity care is not specifically identified by projected patient days. However, the applicant indicates that charity care will represent \$3,119,042 in the first year and \$3,382,608 in year two. The applicant does not wish to accept any conditions relating to the provision of Medicaid and/or charity care services.

F. SUMMARY

Southern Baptist Hospital of Florida, Inc. (CON #9482) proposes to establish a new 92-bed satellite acute care hospital via the relocation of 92 beds from Baptist Medical Center Downtown (Baptist Downtown). It is the intent of the applicant to operate the proposed satellite hospital under the existing license, which will not change the total licensed bed, count since both the downtown facility and the new facility will be located in District 4/Subdistrict 3.

The proposed site of the satellite hospital is in southeastern Duval County at the intersection of Old St. Augustine Road and I-95, Jacksonville, Florida. The project involves a total projected cost of \$84,442,000 and 232,616 square feet of new construction. Actual construction costs is estimated to be \$44,131,200. The applicant does not wish to accept any conditions relative to the proposed project.

After weighing and balancing all relevant criteria, the following issues are presented:

Fixed Need Pool:

- The proposed project is not submitted in response to the fixed need pool, which indicates zero need for additional acute care beds in District 4, Subdistrict 3. The applicant intends to relocate 92 existing licensed beds to establish a satellite hospital.
- The applicant reasonably demonstrated that the Baptist project will experience steady increases in utilization, primarily through a shift in patient volume from Baptist-Downtown as well as existing adult inpatient volumes originating from its proposed primary service area. Although, the applicant did not demonstrate that area residents are currently experiencing problems in accessing acute care services in other Duval County hospitals or related admission delays, the project should result in a more efficient delivery of patient services in the subdistrict.
- The project is expected to have a positive impact on competition, to promote quality assurance and cost-effectiveness that is not expected to negatively impact an existing Medicaid disproportionate share provider. The applicant is a Medicaid disproportionate share provider and this project is expected to have a positive impact on the hospital.

Quality of Care:

- The applicant demonstrated that it has a history of providing quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida.

Cost/Financial Analysis:

- The applicant's financial position appears adequate and funding for the project appears likely. With projected net revenues per adjusted patient day falling between the median and the highest level, the hospital is expected to consume health care resources in a greater proportion to the services provided. The applicant's projections are considered cost-efficient when compared to the control group values of other Florida hospitals. The financial analyst concluded from the projections provided, that contingent on the continued profitability of the applicant, the project appears to be economically feasible.
- It was determined that the applicant's projection of managed care days may be optimistic; however if achieved, this level of managed care is likely to have a positive impact on competition, to promote quality assurance and cost-effectiveness.

Medicaid/Indigent Charity Care Commitment:

- The applicant does not wish to accept any conditions relative to the proposed project, including a Medicaid and/or charity care commitment. However, Baptist Downtown is a state designated Medicaid disproportionate share provider and it is expected that the establishment of this satellite facility will better allow the applicant to continue its indigent mission at the downtown campus.

Architectural Analysis:

- The proposed project is basic and straightforward and the layout appears reasonable. The patient rooms are efficient and functional and have good spatial relationships to the ancillary spaces. Orientation of the different functions in the patient rooms is carefully thought out with the needs of the patient, family and staff in mind. There appear to be no significant architectural concerns with the project as presented.

CON Action Numbers: 9482-9485

St. Luke's Hospital Association (CON #9483) proposes to construct a new replacement facility for St. Luke's Hospital. The hospital will relocate from its current Belfort Road location to the campus of Mayo Clinic Jacksonville, located in the same subdistrict. The project involves the relocation of 214 of the existing 289 beds, along with the relocation of the existing adult cardiac catheterization, adult open heart and all adult transplant programs (bone marrow, liver, kidney, pancreas, heart and lung). The project will result in the development of a replacement hospital on the Mayo Clinic campus focused on tertiary/quaternary care and services, and will serve a regional, national, and international geographic service area.

The proposed project is being submitted in conjunction with CON proposals filed by St. Vincent's Medical Center, Inc. for a new hospital (CON #9484) and Level II NICU services (CON #9481) to be located in the vacated St. Luke's facility.

In order to implement the proposed hospital relocation project, the existing land, facilities, buildings, and equipment of St. Luke's Hospital will be sold to St. Vincent's Medical Center, Inc., with St. Vincent's proposing to operate an acute care hospital at the current location with 180 licensed beds (CON #9484) including the active obstetrical service and 10 Level II NICU beds. With only 214 of the existing 289 licensed beds to be relocated to the Mayo Clinic campus, a condition of the proposed project is that once the proposed project and the companion St. Vincent's projects are approved, 75 beds will be de-licensed from the current St. Luke's bed capacity to be utilized by St. Vincent's in the development of its new facility. Included in the 75 beds to be de-licensed and used by St. Vincent's are 65 acute care beds and 10 Level II NICU beds. As a result of this, the CON applications filed by St. Vincent's (CON #'s 9481 and 9484) should be considered linked projects, with the St. Luke's relocation project contingent on the approval of the St. Vincent's projects and the St. Vincent's project contingent on the approval of the proposed St. Luke's relocation project. It is anticipated that the replacement hospital will be completed in CY 2005 with St. Vincent's assuming control of the current St. Luke's facility in CY 2006.

CON Action Numbers: 9482-9485

The proposed project involves 582,000 gross square feet of new construction and a total project cost of \$207,000,000. Actual construction cost is expected to approximate \$130,789,042.

After weighing and balancing all relevant criteria, the following issues are presented:

Fixed Need Pool:

- The proposed project is not submitted in response to the fixed need pool that indicates zero need for additional acute care beds in District 4, Subdistrict 3. The project includes no increase in St. Luke's licensed bed capacity and will actually reduce licensed beds by 75. The 75 beds will remain and are proposed as part of the bed complement requested by St. Vincent's (9484 and 9481) in its bid to continue operating the vacated St. Luke's facility. Both St. Luke's and St. Vincent's are linked together, although both applicants submitted separate CON applications.
- The applicant presents "not normal", hospital-specific special circumstances that include the intensification of services offered at the hospital in conjunction with the Mayo Clinic and the number and severity of patients treated, an expected increase in patient volume, a changing patient origin that will serve a larger portion of patients from outside the district, an increase in outpatient diagnostic and treatment services, and an apparent lack of square footage to support Mayo Clinic's mission of patient care, medical research and medical education.
- Since the project involves existing licensed beds and services and will focus on Mayo's existing and forecast patient base, two thirds of which is expected to originate from outside of the district, the project should have minimal impact on existing providers of acute care services.

CON Action Numbers: 9482-9485

- There is some concern for the continued provision of certain tertiary care services to particular patient populations, specifically the medically indigent. It is noted that St. Luke's is not currently a large provider of care to this population and so this is not a major issue. It is also noted that St. Vincent's is proposing to assume some of the responsibility of this provision of care in its linked projects and it is likely that Shands will assume some portion as well.

Quality of Care:

- The applicant reasonably demonstrates that it has a history of providing quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida.

Cost/Financial Analysis:

- The applicant's audited financial statements indicate a weak financial position. However, with the participation of the parent company, funding is likely to be available for the project as well as the entire capital budget.
- The applicant's financial projections are considered cost efficient when compared to the control group values of other Florida hospitals. The higher revenues and costs of the project appear to reflect the complexity of care to be offered and are considered reasonable.
- It was determined that since a majority of patients will most likely come from outside the local service area, the level of managed care is likely to have only a marginal positive impact on competition, to promote quality assurance and cost effectiveness. Given the financial resources of the Parent and the cash generated from the sale of the existing hospital, the project appears to be financially feasible.

Medicaid/Indigent Charity Care Commitment:

- The applicant does not request that the project be conditioned for a certain amount of Medicaid and charity care services. Pro formas show that the applicant expects to provide two percent of its total patient days to Medicaid patients by 2006 in a reduced number of beds.
- When compared to the district and subdistrict, St. Luke's provided the least amount of care to the medically indigent.

Architectural Analysis:

- The proposed project is basic and straightforward in design and the layout is done quite well. The patient rooms are efficient and functional and have good relationships to the ancillary spaces. Orientation of the different function functional areas within the patient rooms is carefully thought out with the needs of the patient, family and staff in mind. There are no architectural concerns with the design as submitted.

St. Vincent's Medical Center, Inc. (CON #9484) proposes to establish a new 170 bed acute care hospital at the facility to be vacated by St. Luke's Hospital. A partial award request is also submitted for 135 beds. Another related project (CON #9481) has also been submitted that will allow the applicant to recapture the 10 NICU Level II beds that St. Luke's Hospital Association will delicense and retain in the current St. Luke's facility. As previously mentioned, this proposed project is submitted in conjunction with an application to relocate and replace St. Luke's Hospital (CON #9483), and is contingent upon the approval of the St. Luke's replacement project.

St. Vincent's primary request will reallocate 35 acute care beds from the existing facility in Subdistrict 2 to the new site in Subdistrict 3, captures the 65 acute care beds to be delicensed by St. Luke's Hospital in its bid for a new hospital on the Mayo Clinic campus, and adds 70 new acute care beds for a total of 170 beds. An alternative partial award request does not add new beds but rather, this proposal reallocates 70 beds from St. Vincent's Medical Center to the new site on Belfort Road and captures the 65 acute care beds to be delicensed for a total of 135 beds.

The total cost is projected to be \$155,548,805, of which \$146,148,700 represents the acquisition costs of the land, building and equipment. The remaining costs represent development costs, financing costs and

CON Action Numbers: 9482-9485

start-up costs. The project cost remains unchanged with regard to the partial award request.

The applicant is requesting that the proposal be conditioned for (1) specific site (2) 2.2 percent of patient days allocated for charity care; (3) commitment of enforceable capital expenditure that will allow the CON to remain valid until hospital operations are assumed in CY 2005; and (4) commitment from AHCA that St. Vincent's will be able to secure a license for the new hospital without being required to accomplish code upgrades of the hospital's physical plant as to the life safety, construction code, and all other standards and codes which would be applicable to the establishment and subsequent licensure of a new hospital.

After weighing and balancing all relevant criteria, the following issues are presented:

Fixed Need Pool:

- The proposed project is not submitted in response to the fixed need pool that indicates zero need for additional acute care beds in District 4, Subdistrict 3. Both the applicant's primary request (170 beds) and partial award request (135 beds) are outside of the fixed need pool. The primary request represents a request for 105 new beds in the subdistrict and the partial request represents a request for 70 new beds in the subdistrict. The applicant will delicense beds in District 4, Subdistrict 2 should the CON be awarded.
- The applicant presents "not normal", hospital-specific special circumstances that include high utilization of medical/surgical beds in the subdistrict; population growth; and the continued need for a community hospital at the current location. Additionally, the project is cost efficient and makes use of an existing building. The project is not expected to adversely impact existing providers.

CON Action Numbers: 9482-9485

- The applicant showed that some portion of the patient population it currently serves at its main campus in an adjacent subdistrict live in zip codes within the planning area under review. By combining this patient population with the community population currently served by St. Luke's, which will most likely not continue to be served by St. Luke's in its proposed relocated facility, the applicant demonstrated by holding the use rate, average length of stay, and market share constant, sufficient demand to sustain a 135-bed hospital.

Quality of Care:

- The applicant reasonably demonstrates that it has a history of providing quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida.

Cost/Financial Analysis:

- The applicant's audited financial statements reveal a reasonably strong financial position. With the participation of the parent company, funding is likely to be available for the proposed project as well as the entire capital budget.
- The applicant's financial projections are considered cost efficient when compared to the control group values of other Florida hospitals. The financial analyst noted no discernable difference between the applicant's primary request and the partial award request. The project appears to be economically feasible.
- The financial analyst concluded that given the lower level of services offered by St. Vincent's, the managed care days projection may be slightly optimistic. If achieved, the level of managed care would likely have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

Medicaid/Indigent Charity Care Commitment:

- The applicant is requesting that the project be conditioned to provide 2.2 percent of projected patient days for charity care.
- The hospital has a strong history of providing health services to either Medicaid patients or charity care patients and is a Medicaid disproportionate share provider for State Fiscal Year 2000-2001.

Architectural Analysis:

- The plans submitted indicate the functional spaces that exist and will remain under new ownership. The cost information presented in the application is not particularly significant architecturally since it reflects the purchase of existing space rather than new construction or renovation. There will be no architect/engineer contracts since this is an existing hospital.

Overall the existing building is basic and straightforward and the layout is functional. The patient rooms are adequate to sufficient and have relatively good relationships to the ancillary spaces.

Baptist Medical Center of the Beaches, Inc. (CON #9485) proposes to add 25 acute care beds at Baptist Medical Center-Beaches. The project will increase the hospital's total bed complement from 90 beds to 115 beds. The current 90 beds include an additional eight beds that were transferred via CON 9235 from Baptist Medical Center Downtown. These beds are currently being implemented, with licensure anticipated later this year.

The project entails the construction of a second floor extension of the existing inpatient services building. The estimated cost of the project is \$5,639,650 and involves 17,600 GSF of new construction and 2,000 GSF of renovation for a total of 19,600 GSF and \$3,620,000 in construction costs.

The applicant does not wish to accept any conditions relative to the proposed project.

After weighing and balancing all relevant criteria, the following issues are presented:

Fixed Need Pool:

- The proposed project is not submitted in response to the fixed need pool that indicates zero need for additional acute care beds in District 4, Subdistrict 3.
- The applicant presents "not normal", hospital-specific special circumstances that include increases in the service area population; and high utilization for both medical/surgical beds and critical care beds. The applicant recently received CON #9235 for eight additional acute beds, which have not been implemented. The applicant did not demonstrate an access problem for area residents or delays in admission nor did it demonstrate need for 25 additional beds.

Quality of Care:

- The applicant reasonably demonstrates that it has a history of providing quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida.

Cost/Financial Analysis:

- The applicant's audited financial statements indicate a strong financial position. The financial analyst concluded that funding is likely to be available for the proposed project as well as the entire capital budget.
- The applicant's financial projections are considered cost efficient when compared to the control group values of other Florida hospitals. The hospital is expected to consume health care resources in a slightly greater proportion to the services provided. It was concluded that the project is financially feasible.
- Although the projection of managed care days may be optimistic, if this level of managed care is achieved it is likely to have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

Medicaid/Indigent Charity Care Commitment:

- The applicant does not wish to accept any conditions relative to the proposed project.
- The applicant is not a Medicaid disproportionate share provider for State Fiscal Year 2000-2001.

Architectural Analysis:

- Overall the project is straightforward and the layout is fairly typical and well thought out. The patient rooms are spacious, efficient and functional and have good relationships with the ancillary spaces. All support functions appear to have been provided and are well located relative to the patient rooms. Orientation of the functions in the patient rooms is carefully thought out with the needs of the patient, family and staff in mind. There are provisions for “rooming in” by relatives in each room. There are no substantive architectural concerns with the design and presentation.

G. RECOMMENDATION

Approve CON #9482 to transfer 92 beds from Baptist Medical Center to the new satellite facility to be located in southeastern Duval County at the intersection of Old St. Augustine Road and I-95, Jacksonville, Florida. The project involves a total projected cost of \$84,442,000 and 232,616 square feet of new construction and construction costs of \$44,131,200.

CONDITION: Upon licensure of the 92-bed facility, 92 beds shall be delicensed at Baptist Medical Center’s main campus.

CON Action Numbers: 9482-9485

Approve CON #9483 to relocate 214 beds and all tertiary care programs other than neonatal intensive care at St. Luke's Hospital to the campus of Mayo Clinic on San Pablo Road in Jacksonville. The project involves 581,734 gross square feet of renovation and new construction, construction costs of \$135,106,667, and a total project cost of \$207,000.000.

CONDITIONS:

- (1) Implementation of this project is contingent upon the approval and award of CON #'s 9484 and 9481 to St. Vincent's Medical Center, Inc.
- (2) Upon licensure of the 214-bed replacement facility, 65 acute care beds at the Belfort Road location shall be delicensed.
- (3) Upon licensure of the 214-bed replacement facility, 10 Level II NICU beds at the Belfort Road location shall be delicensed.

Approve CON #9484P to establish a 135-bed facility to be located at 4201 Belfort Road in Jacksonville. Total project costs are \$155,548,805 and involves no construction.

CONDITIONS:

- (1) Implementation of this project is contingent upon the approval and award of CON #9483 to St. Luke's Hospital Association.
- (2) Implementation of this project is contingent upon the approval and award of CON #9481 to St. Vincent's Medical Center, Inc.
- (3) A minimum of 2.2 percent of the total annual patient days in the 135 acute care beds shall be provided to charity patients.
- (4) Upon licensure of the 135 acute care beds, 70 acute care beds shall be delicensed at St. Vincent's Medical Center in District 4, Subdistrict 2.
- (5) The effectuation of an enforceable capital expenditure of 10 percent or more within 18 months of the issuance of the three linked CONs (9484/9483/9481).
- (6) Provided there is no break in licensure, the building requirements associated with the establishment of a new hospital shall not be imposed by AHCA.

Deny CON Numbers 9484 and 9485.

AUTHORIZATION FOR AGENCY ACTION

Authorized representatives of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: _____

Karen Rivera
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation